

*James Lightbody*



PROVINCE OF MANITOBA

JAMES LIGHTBODY

Report  
of the  
Manitoba Royal Commission  
on  
Local Government Organization  
and Finance

April 1964

WINNIPEG, MANITOBA

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Printed by R. S. Evans, Queen's Printer for Manitoba

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28 April , 1964.

To: The Honourable Errick F. Willis,  
Lieutenant-Governor of Manitoba.

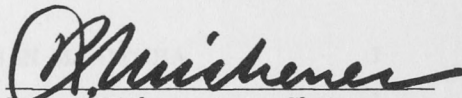
Sir:

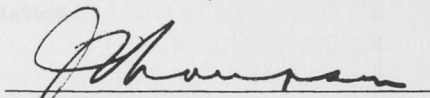
Your Royal Commission on Local Government Organization and Finance, appointed by Order-in-Council Number 183/63, dated 13 February, 1963, has the honour to submit its first Report, concurred in by all members.

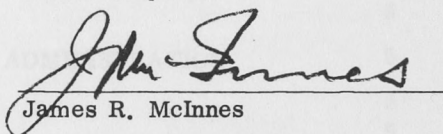
In using the term 'first' as applied to this Report, we have in mind that a further Report would be desirable if we were to give consideration to the possible effects on our findings of the investigation now being conducted by the Royal Commission on Taxation appointed by the Government of Canada. In addition, we have not completed our study of a few other matters.

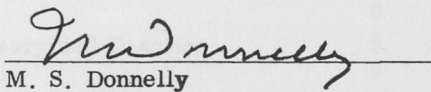
After balancing the need for early consideration of the financial problems of local governments and of the Province in relation thereto against the advantages of more prolonged enquiry, we have decided that we should now submit all of our recommendations which appear to us to be final in the sense that they are not likely to be varied by events or further consideration on our part.

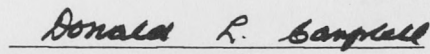
Respectfully submitted,

  
Roland Michener, Chairman

  
John Thompson

  
James R. McInnes

  
M. S. Donnelly

  
Donald L. Campbell.







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APPOINTMENT OF THE COMMISSION

AND

TERMS OF REFERENCE

The Royal Commission on Local Government Organization and Finance was established on 13 February, 1963 by Manitoba Order-in-Council No. 183/63 reading in part as follows:

"Whereas it is deemed expedient and advisable in the public interest that the matter of organization and finance of local governments in the Province of Manitoba and their relations with the provincial government be made the subject of a public inquiry;

....

"NOW KNOW YE THAT under and by virtue of all the powers, privileges and prerogatives vested in or appertaining to Her Majesty, and under and by virtue of Part V of The Manitoba Evidence Act, it is ordered as hereinafter set forth:

- (1) That a Commission is hereby established to be known as "The Manitoba Royal Commission on Local Government Organization and Finance" (hereinafter called "the Commission"), consisting of the persons hereinafter named together with such other person or persons as hereafter may be appointed to the Commission by Order-in-Council.
- (2) That the members of the Commission be
  - (a) The Honourable Roland Michener, P.C., Q.C.,  
Barrister, Toronto, Ontario.
  - (b) His Honour Judge John Thompson,  
Judge of the County Courts of the Southern Judicial  
District of the Province of Manitoba, Morden,  
Manitoba.
  - (c) James R. McInnes, C.A., Director of Finance,  
Metropolitan Corporation of Greater Winnipeg,  
Winnipeg, Manitoba.
  - (d) Professor Murray S. Donnelly, Ph.D.,  
University of Manitoba, Winnipeg, Manitoba.
  - (e) Donald L. Campbell, Q.C.  
Barrister-at-Law, Stonewall, Manitoba.
- (3) That the Chairman of the Commission be The Honourable Roland Michener, P.C., Q.C.
- (4) That the Secretary of the Commission be Joseph E. Martin, Esq.

....

(9) That the purposes, objects and duties of the Commission shall be to inquire into all facts and circumstances relating to:

- (a) The powers, functions and responsibilities of the various classes of local government in Manitoba and their suitability to current and developing conditions.
- (b) The forms of organization and areas of jurisdiction of the various classes of local government and their suitability to current and developing conditions, having regard to changes in population and economic development.
- (c) The financial structure of local government and its suitability to current and developing responsibilities.
- (d) The taxation system and other revenue sources available to local government and their adequacy and effectiveness for the responsibilities involved. Alternative methods of raising revenue for local government purposes which might be economically applied.
- (e) The burden of local government imposts on the taxpayer, especially in relation to his ability to pay and his requirements for services.
- (f) The division of responsibilities between the Province and local governments including the functions performed and the services provided by the Province in local government areas. The effect of such provincial activities on local powers and responsibilities.
- (g) Any matters raised in the report of the Municipal Enquiry Commission that may be pertinent to the subject of this enquiry. The enquiry is to exclude those aspects of the review under Order-in-Council Number 1250/62 of the affairs of The Metropolitan Corporation of Greater Winnipeg and its area municipalities which are not of general application.
- (h) Any matters that may arise that may be related to the investigation being conducted by the Royal Commission on Taxation appointed by the Government of Canada.
- (i) All other matters related to the problems of local government organization and finance, and in particular any matters, not inconsistent with the subject of the enquiry, which may be referred to the Commissioners by the Lieutenant-Governor-in-Council. "

*Royal Commission on Local Government Organization and Finance*

CHAIRMAN:  
HON. ROLAND MICHENER, P.C., Q.C.

MEMBERS:  
JUDGE JOHN THOMPSON  
JAMES R. MCINNES, C.A.  
MURRAY S. DONNELLY, PH.D.  
DONALD L. CAMPBELL, Q.C.

SECRETARY:  
JOSEPH E. MARTIN

ROOM 1000  
NORQUAY BUILDING  
WINNIPEG, 1, MANITOBA  
WHITEHALL 6-7873

September 13th, 1963.

Dear Sir, -

Our Commission, in pursuing its inquiry, has assumed that it was instructed to consider alternate methods of raising both provincial and municipal revenues for local government purposes. The discussions which preceded and followed the appointment of the Commission, as well as the submissions which have been made, seemed to bear out this assumption, but the actual words of paragraph (d) of the terms of reference where specific reference is made to this matter might warrant a more limited interpretation. They are as follows:

"(d) The taxation system and other revenue sources available to local government and their adequacy and effectiveness for the responsibilities involved. Alternative methods of raising revenue for local government purposes which might be economically applied."

Reading this in the whole context of the terms of reference there might be some doubt about our authority to consider the amount and source of additional provincial revenues which may be needed for local government. This is an important matter and we should appreciate being advised whether we are following the course intended.

Would you please clarify the point for us.

Yours sincerely,

"D. R. Michener"

Roland Michener ,  
Chairman.

The Honourable Duff Roblin,  
Premier, Province of Manitoba,  
Room 204 Legislative Building,  
Winnipeg 1, Manitoba.





PROVINCE OF MANITOBA  
DEPARTMENT OF PROVINCIAL TREASURER  
OFFICE OF THE MINISTER  
WINNIPEG

September 20th, 1963.

Honourable Roland Michener, P.C., Q.C.,  
Chairman, Royal Commission on Local  
Government Organization and Finance,  
Room 1000 - Norquay Building,  
WINNIPEG 1, Manitoba.

Dear Mr. Michener:

In your letter of September 13th, you asked if the Commission's understanding that it was instructed to consider alternative methods of raising both provincial and municipal revenues for local government purposes was correct, as there apparently was some question raised as to whether or not in the whole context of the terms of reference this authority exists.

I can assure you that your interpretation of the terms of reference is in accordance with that of the Government, in that it is considered your authority extends to the consideration of the amount and source of additional revenues which might be devoted to local government purposes whether raised at the provincial or municipal level.

Yours sincerely,

"Duff Roblin"

Duff Roblin.

## THE MUNICIPAL ENQUIRY COMMISSION IN MANITOBA

The Municipal Enquiry Commission in Manitoba was established by The Union of Manitoba Municipalities and The Manitoba Urban Association, at their respective annual meetings in 1959, by joint resolutions worded as follows:

"WHEREAS at the present time in Manitoba there are many different geographic areas of government, e.g. Hospital Areas, Health Unit Areas, X-Ray and Diagnostic Areas, Drainage Areas, School Districts, School Divisions and Municipalities;

"And Whereas municipal boundaries have been determined historically before the advent of the motor car, aeroplane, etc.;

"And Whereas this same modern transportation has necessitated extensive and expensive road building programmes resulting in the purchase and maintenance of heavy and expensive machinery and equipment;

"And Whereas because of low total assessments some municipal units have become uneconomic;

"And Whereas no general pattern of municipal boundaries maintains at the present time;

"And Whereas boundaries of the various areas listed in the first preamble hereto are not coterminous;

"THEREFORE BE IT RESOLVED that this (56th annual convention of The Union of Manitoba Municipalities and 11th annual convention of The Manitoba Urban Association) instruct the executive committee of the association to appoint a strong commission of (The Union of Manitoba Municipalities and The Manitoba Urban Association) with terms of reference as follows:

"To study and report at as early a date as possible on the whole question of Municipal and/or Hospital District and other inter-municipal district area boundaries, together with municipality responsibility in the total pattern of government; and in such study to seek the active co-operation and support of The Union of Manitoba Municipalities. The Manitoba Urban Association, The Manitoba Municipal Secretary-Treasurers Association and any other groups or organizations interested in the municipal sphere of government in Manitoba. "

Consequently, the following members were appointed to the Commission: R. Murray Fisher, Esq., Q.C., LL.D., Chairman; Reeve D.F. Rose, Carroll, Reeve C.N. Argue, Mather, and Lawrence Smith, Esq., Portage la Prairie, representing The Union of Manitoba Municipalities; Mayor H.A. Cochlan, Morden, Mayor H.L. Henderson, Portage la Prairie, and Mayor C.N. Kushner, Q.C., West Kildonan, representing The Manitoba Urban Association; M.F. Szewczyk, Esq., Dauphin, and A.W. Vincent, Esq., Tuxedo, Invited Members; P.F.C. Byars, Esq., East Kildonan, (1960-61) and Miss Catherine Forrest, Winnipeg, (1961-62), Part-Time Members.

## THE METROPOLITAN CORPORATION OF GREATER

## WINNIPEG REVIEW COMMISSION

This Commission comprising Mr. Lorne R. Cumming, Q. C., (Chairman), Mr. Sydney G. Halter, Q. C., and Mr. Robert B. Russell, (later replaced by Mr. Russell Robbins), was appointed by Manitoba Order-in-Council No. 1250/62, dated 2 October, 1962, which reads in part as follows:

"WHEREAS it is deemed to be in the public interest that that operation and activities of the Metropolitan Corporation of Greater Winnipeg and the area municipalities thereunder be now made the subject of a public review:

. . . . .

(8) That the purposes, objects and duties of the Commission shall be to inquire into all facts and circumstances relating to:

- (a) The financial relationships of the Metropolitan Corporation of the area municipalities.
- (b) The form and structure of the Metropolitan Government with a view to the adjustment of any factors that will make for more effective relationship with the area municipalities.
- (c) The structure and methods of the inter-governmental relationships of Metropolitan Government and the area municipalities with a view to such technical alterations as will make for more effective local government in the area.
- (d) The boundaries of the Metropolitan Corporation and all the area municipalities and their suitability in the light of the services required.
- (e) Generally all matters pertinent to Metropolitan Government in Greater Winnipeg, not being inconsistent with matters herein above-mentioned which the Commission may deem appropriate or which the Lieutenant-Governor-in-Council may refer to from time to time. "

## METRO WINNIPEG REVIEW COMMISSION

CHAIRMAN:  
DR. LORNE R. CUMMING, Q.C.

MEMBERS:  
G. SYDNEY HALTER, Q.C.  
RUSSELL H. ROBBINS

SECRETARY:  
RON M. FARROW  
ROOM 133, LEGISLATIVE BLDG.  
WINNIPEG 1, MANITOBA  
WHITEHALL 6-7864

His Honour Errick F. Willis,  
The Lieutenant-Governor of Manitoba.

May It Please Your Honour;

The Commission established under Your Honour's Order dated the 2nd day of October 1962, (1250/62), known as the "Metropolitan Corporation of Greater Winnipeg Review Commission", now begs leave to submit to Your Honour an interim report with respect to the purposes, objects and duties of the Commission as set forth in the said Order-in-Council in the light of the purposes, objects and duties assigned to the "Manitoba Royal Commission on Local Government Organization and Finance" by Your Honour's Order dated the 13th day of February 1963, (183/63).

Your Commission, during the course of its enquiry, has found it necessary to determine whether its purposes, objects and duties required it to enquire into matters relating to existing or proposed financial assistance by the Province, to the Metropolitan Corporation of Greater Winnipeg or its constituent municipalities, and a number of related matters which your Commission considered to have been assigned to the Commission appointed by the said Order-in-Council No. 183/63 as set out in paragraph 9 thereof.

Your Commission has, after full consideration, ruled that all such matters did not fall within the scope of its terms of reference but on the contrary have been included in the duties of the said Commission appointed by the said Order-in-Council No. 183/63. Accordingly, your Commission has not dealt with such matters and will not submit any recommendations with respect thereto in its final report.

Respectfully submitted,

"Lorne R. Cumming"

"G. Sydney Halter"

"Russell H. Robbins"

Winnipeg, Manitoba  
May 10, 1963.



## THE ROYAL COMMISSION ON TAXATION, CANADA

The Royal Commission on Taxation, comprising Messrs. Kenneth LeM. Carter (Chairman), J. Harvey Perry, A. Emile Beauvais, Donald G. Grant, Mrs. S. M. Milne and Mr. Charles E. S. Walls, was appointed by the Government of Canada (P.C. 1962-1334) and authorized, "... to inquire into and report upon the incidence and effects of taxation imposed by the Parliament, including any changes made during the currency of the inquiry, upon the operation of the national economy, the conduct of business, the organization of industry and the positions of individuals; and to make recommendations for improvements in the tax laws and their administration that may be consistent with the maintenance of a sufficient flow of revenue; and without restricting the generality of the foregoing, to provide information and make recommendations concerning:

- (a) The distribution of burdens among taxpayers resulting from existing rates, exemptions, reliefs, and allowances provided in the personal and corporation income taxes, estate taxes and sales and excise taxes, taking into account also the jurisdiction and practices of the provinces and municipalities.
- (b) The effects of the tax system on employment, living standards, savings and investment, industrial productivity, and economic stability and growth.
- (c) Provisions in existing laws which may have given rise over the years to anomalies or inequities or which may require action to close loopholes which permit the use of devices to avoid fair taxation.
- (d) The effects of the income, sales and excise taxes and estate duties on income and investment flows which affect the balance of international payments and economic relations with other countries.
- (e) The means whereby the tax laws can best be formulated to encourage Canadian ownership of Canadian industry without discouraging the flow of investment funds into Canada.
- (f) The changes that may be made to achieve greater clarity, simplicity and effectiveness in the tax laws or their administration."

## PROCEDURE FOLLOWED

The Royal Commission on Local Government Organization and Finance obtained information on which to base its conclusions from written submissions, public hearings, informal visits to different communities, meetings with provincial, municipal and hospital officials, consultation with experts in government and public finance and investigation and studies made by your Commission's research staff and consultants.

Your Commission received one hundred written submissions. These varied from short letters touching on a single point to more formal submissions of several hundred pages and covering a wide variety of topics. The briefs submitted came from a representative cross-section of official and unofficial opinion including The Metropolitan Corporation of Greater Winnipeg, seven cities, two suburban municipalities, three towns, two villages, twenty-one rural municipalities, nine school divisions, eight school districts, associations representing agriculture, business, labour, education and political parties and local governments and individuals. After most of the written submissions had been received public hearings were held in Winnipeg, Brandon, Dauphin, The Pas and again in Winnipeg. Sixty of those who had filed written submissions were represented at the hearings. An official transcript of evidence was taken and this filled 1,479 pages in thirteen volumes.

Your Commission considered it important to see councils and other forms of local government in action in Manitoba and to meet informally with people who were dealing in practice with the subject matter of our enquiry. To this end we visited 31 communities and met with mayors, reeves, councillors and secretary-treasurers, division and district school trustees and secretary-treasurers, resident administrators, advisory committees and private citizens. In addition your Commission visited municipal offices, schools, hospitals and elderly citizens' homes.

We wish to record our gratitude to all who have helped us in our task. Our thanks go to those who came forward with prepared submissions; they did much to help us understand their problems and to find possible solutions for them. We wish to thank also many provincial and municipal civil servants who responded to our enquiries and gave freely of their expert knowledge. Informal meetings with local government officials and actual observation of the machinery of government in operation were most helpful.

While yours is the first Royal Commission to investigate local government in Manitoba we have derived great benefit from reading the reports of three enquiries of a more informal kind: the Report of the Provincial-Municipal Committee of 1953; the Report of the Commission on Municipal Taxation of 1958 (made under the auspices of the City of Winnipeg and conducted by H. Carl Goldenberg, O.B.E., Q.C.); and the Report of the Municipal Enquiry Commission in Manitoba of 1963. We also acknowledge our debt to the Manitoba Royal Commission on Education headed by Dr. R. O. MacFarlane which reported in 1959, and to the Report of the Committee on Manitoba's Economic Future. While all of these reports have been most useful we wish to mention the Municipal Enquiry Commission particularly. It was established by resolutions of the Union of Manitoba Municipalities and the Manitoba Urban

Association in 1959 and reported in February 1963. Its membership included some of the most knowledgeable of municipal men in the province and was chaired by R. M. Fisher, Q. C., whose experience and judgement is unrivalled. The report of this Commission contained thirty-two specific recommendations, which were discussed at a joint meeting of the two associations in April 1963. All of this background work and investigation has made our task somewhat easier. Although we have not been able to agree with all of the earlier recommendations we have given to each our best consideration.

Your Commission has also derived considerable benefit from the work of the previous commissions or enquiries in other provinces such as the Commission on Provincial-Municipal Relations in British Columbia of 1947; the Royal Commission on Taxation, Province of Alberta, 1948; the Report of the Committee on Provincial-Municipal Relations in Saskatchewan of 1950; and, more recently, the Local Government Continuing Committee of that Province. Currently we are exchanging ideas and studies with the Royal Commission on Taxation of Canada and some of its provincial counterparts.

Furthermore we are deeply appreciative of the devoted services of our secretary, research staff, typists and clerks, all of whom have performed their often arduous duties with competence and good humour. They include the following:

#### Administrative Staff

Joseph E. Martin, B.A. (Hons.),	Executive Secretary
Mrs. A. E. LeRoy,	Stenographer

#### Research Staff

C. K. Shepherd, B.A.,	Research Director
Mrs. Jeanne Cavaye, B. Comm.,	Senior Research Analyst
Mrs. Jean Hanson,	Research Analyst
Miss Anita Schwartz, B.A.,	Research Analyst (part-time)

#### Consultants

John Atwell, M. A.,	Post-Graduate Student, University of Minnesota
Prof. C. L. Barber, Ph.D.,	Economist, University of Manitoba
Douglas H. Clark, M.B.A.,	Officer, Department of Finance, Ottawa
Philip T. Clark, F.C.A.,	Private Consultant, formerly Comptroller of Revenue, Province of Ontario
Prof. K. G. Crawford, M.A.,	Director, Institute of Local Government, Queen's University, Kingston, Ontario
Deloitte, Plender, Haskins and Sells,	Chartered Accountants
Prof. John Due, Ph.D.,	Economist, University of Illinois

## (Consultants - cont'd)

R. M. Fisher, Q. C., LL.D.,	formerly Deputy Minister of Municipal Affairs and Chairman, Municipal Enquiry Commission in Manitoba
J. E. Foran, LL. B.,	Barrister-at-law, Winnipeg
Michael D. Goldrick, M. A.	Director, Bureau of Municipal Research, Toronto, Ontario
Eric R. E. Hagglund, A. A. C. I.,	Chairman, Appraisal Institute of Canada, Winnipeg Chapter
R. O. MacFarlane, Ph. D.,	formerly Chairman, Manitoba Royal Commission on Education
Joseph C. Miller, Q. C., LL. B.,	Barrister-at-law, Portage la Prairie
O. Thomas Webb, A. A. C. I.,	Officer, The Municipal Board of Manitoba.

Lance S. M. Partridge, M. A., of the Provincial Treasury Department, Acting Research Director in the early stages of our enquiry, assisted in organizing our research staff and laying out our research program.



## SUMMARY OF PRINCIPLES APPLIED

As will be observed from the terms of reference, our first concern is the condition of local governments (urban and rural municipalities and school boards), and the real property taxpayers who support them. In Manitoba as in other provinces, the tax revenues of the municipalities, basically the levy on real property, have been unequal to the services which have been required of them. Having pressed the real property tax as far as they reasonably could, local governments have come to rely heavily upon grants from the Provincial Government to which they owe their being, and have even been seeking aid from the Federal Government with which they have no constitutional connection.

In the result their financial position has become confused, as indeed has the position of the Province itself, by a maze of inter-governmental transfer payments. The Province of Manitoba in the year (1963-64), according to a Treasury statement, provided no less than 39 different kinds of direct grants to local governments for a total of \$58,168,887 and a further sum of \$22,509,109 in indirect grants or benefits out of a total provincial budget of \$136,061,241.00. In the current budget these amounts are even higher. The Federal Government offers many kinds of payments for projects which may involve the municipalities directly or through the Provincial Government.

A further result has been to blur the line of division between the responsibilities of the Province and its local governments. The latter, involved in shared-cost programs or acting as agents for the Province, tend to lose their self-reliance and independence.

What are the main areas of trouble? <sup>①</sup> Education and <sup>②</sup> relief of the poor. RESPONS: ① Education ② Welfare  
are two ancient responsibilities of local authorities; to these have been added a measure of responsibility for health services; the construction and maintenance of roads, bridges, drains and other inter-municipal works are others. In all of these areas of local responsibility the Province has increased its participation in money and in administration. Even the Federal Government, without the constitutional authority to provide the services, has become an important financial contributor, through elaborate systems of grants-in-aid for health, highways, hospital construction, etc., cost-sharing programs of social allowances, and direct payments to individuals for pensions and family allowances, to mention only some.

All indications point to a continuation, if not an increase of these activities of the senior governments. Good education is patently a necessity for a life of useful employment and even for survival itself, in our mechanized industrial society. Education a must. Social and health services are demanded almost without regard to the productive capacity from which payment must come.

As has been said recently in the context of Federal-Provincial financial arrangements: "There is a limit to the resources which the citizen can make available to his governments. Governments must therefore consider the priorities of the whole nation into which federal and provincial demands may be adjusted .... The crisis of fiscal priorities simply means 'what government makes expenditures on what, first .'"

We are asked to redefine the functions of local government and to recommend the appropriate and consequent financial changes. Assuming, as we believe, that a clear division of responsibility is desirable, two principal courses of reform appear to be available.

The first is to cut down the more general type of service which local governments are expected to provide leaving the residue to be taken up by the Province.

The second is to increase the tax resources of local governments so as to enable them to provide, from their own resources, their present complement of services with such additions as can be foreseen.

In our view the first course is clearly the better. Provincial services and provincial taxes tend to be distributed more equitably than those of municipalities which vary greatly in size and resources. Accordingly we have set out to restore to municipal government exclusive responsibility in its own traditional and proper sphere of local services to the people and property within its boundaries and to eliminate those general services, whether traditional or newly acquired, which the senior governments, provincial and federal, have undertaken, because they were applicable to people everywhere in the province or country. We have sought to give these more limited responsibilities into the exclusive charge of local governments so that they will be masters in their own domains.

*local services*  
 The services which should be provided by the municipalities on their own initiative and with their own tax revenues have become relatively less important, but they are still essential to community life. Amongst them are local public works such as roads, sewers, water supply and other utilities, protection of persons and property (police and fire), and community and recreational facilities. These prime functions remain to be done better by local councils than they could be done by administrative agencies (civil servants) of the Provincial Government. They are a sufficient base to sustain and give meaning and importance to municipal self-government. Furthermore, as will be seen, these services are capable of being supported by the traditional and only substantial source of municipal revenue, the tax on real property.

The same principles could not be applied to the school boards and the administration of public schools for the simple reason that they are already so deeply involved in partnership with the Department of Education of the Province that it does not seem possible, even if it were desirable, to dissolve this partnership. We suggest substantially greater investment in this joint enterprise by the Department which is becoming the senior partner, if not already that, and we have tried to strengthen the junior partner by making the local units fewer and stronger.

Public school costs are increasing annually at a rate which will take up an appreciable share of the annual increase in personal income in Manitoba. A general tax such as the retail sales or consumption tax is a more appropriate way to meet this increasing expenditure, as well as to pay some larger share of the present costs of education, now paid by the real property tax. Although the Province is now dominant in planning the curriculum, setting standards and directing administration, and will be paying the greater part of the costs, there

is still an important place for local administration. But in rural Manitoba there are far more school boards, each with independent taxing powers, than are needed to provide efficiently the desirable element of local participation.

*regional  
decentralization*

The Province for its part should improve its already extensive decentralized administration. We suggest that this improvement should be made by the establishment of co-ordinated regional centres of provincial administration. These regional offices will also serve as points of contact between provincial and municipal authorities and as centres of inter-municipal administration on a regional basis.

By shifting costs of the general services to the Province we make it possible for most municipalities to live on a reduced real property tax and still give the services appropriate to their administration. We have much to say about this major problem, the real property tax, its use, its burden and its limitation and something to say of course about Provincial finance because our recommendations will put the Province under the necessity of finding funds to offset the reduction of the burden on the real property taxpayer as well as to finance its enlarged responsibility for its decentralized and local services.

Finally we make some proposals for the reorganization of local government both as to size and constitution and deal with miscellaneous propositions which arose from the public hearings and the Report of the Municipal Enquiry Commission in Manitoba.

## RECOMMENDATIONS

### Recommendation 1

EXCLUSIVE MUNICIPAL RESPONSIBILITIES. ALL MUNICIPAL CORPORATIONS, CITIES, SUBURBAN MUNICIPALITIES, TOWNS, INCORPORATED VILLAGES AND RURAL MUNICIPALITIES SHOULD HAVE THE EXCLUSIVE RESPONSIBILITY FOR THE PROVISION OF THOSE LOCAL SERVICES WHICH ARE OF PECULIAR BENEFIT TO THE PEOPLE AND PROPERTY WITHIN THEIR RESPECTIVE BOUNDARIES, AS CONTRASTED WITH SERVICES OF GENERAL BENEFIT TO THE PEOPLE OF THE PROVINCE, REGARDLESS OF THEIR PLACES OF RESIDENCE. THESE LOCAL SERVICES AND RESPONSIBILITIES INCLUDE:

- (a) GENERAL ADMINISTRATION OF LOCAL GOVERNMENT;
- (b) PUBLIC WORKS - LOCAL ROADS, STREETS AND BRIDGES, LOCAL DRAINAGE, LOCAL IMPROVEMENTS, MUNICIPAL BUILDINGS AND OTHER SIMILAR WORKS;
- (c) UTILITY OPERATION;
- (d) PROTECTION OF PERSONS AND PROPERTY - FIRE, POLICE, TRAFFIC CONTROL, SANITATION AND WASTE REMOVAL AND RESIDUAL PUBLIC HEALTH SERVICES UNDER THE MUNICIPAL ACT, STREET LIGHTING, DESTRUCTION OF PESTS AND SIMILAR PROTECTIVE SERVICES;
- (e) RECREATION AND COMMUNITY SERVICES;
- (f) LEVY FOR THE FULL COST OF ASSESSMENT BY PROVINCIAL ASSESSORS;
- (g) PROVISION FOR DEBT CHARGES, DEFERRED AND OTHER LIABILITIES, INCLUDING EXISTING DEBT WHETHER OR NOT INCURRED FOR LOCAL SERVICES AS NOW DEFINED;
- (h) PROVISION FOR RESERVES; AND
- (i) MISCELLANEOUS AND INCIDENTAL SERVICES; AND

EXCLUDE CERTAIN ROADS AND DRAINS, FORMERLY MUNICIPAL, AND THE GENERAL SERVICES WHICH ARE DEFINED AS PROVINCIAL RESPONSIBILITIES IN RECOMMENDATION THREE.

### Recommendation 2

JOINT MUNICIPAL RESPONSIBILITIES. ALL MUNICIPALITIES SHOULD ALSO HAVE THE RESPONSIBILITY IN CO-OPERATION WITH SCHOOL DIVISIONS, OTHER MUNICIPALITIES, AND THE PROVINCE AND ITS AGENCIES, TO DO THE FOLLOWING:

- (a) LEVY THE FIXED AND SPECIAL PUBLIC SCHOOL RATES IMPOSED BY SCHOOL DIVISIONS
- (b) LEVY FOR AND SHARE IN THE ADMINISTRATION OF INTER-MUNICIPAL WORKS AND SERVICES ARRANGED FOR THROUGH THE REGIONAL COUNCILS AS DEFINED IN CHAPTER IV;
- (c) LEVY FOR OTHER STATUTORY RESPONSIBILITIES; AND
- (d) ADMINISTER AS AGENTS FOR, AND AT THE COST OF THE PROVINCE, ITS BOARDS AND COMMISSIONS, SUCH SERVICES AS THE PROVINCE MAY REQUIRE OF THE MUNICIPALITIES.



## Recommendation 3

PROVINCIAL RESPONSIBILITIES. THE PROVINCE SHOULD ASSUME THE RESPONSIBILITY, ADMINISTRATIVE AND FINANCIAL, AT PRESENT PARTLY RESTING ON MUNICIPALITIES, FOR THE FOLLOWING GENERAL SERVICES:

- (a) SOCIAL WELFARE SERVICES;
- (b) HEALTH SERVICES WITH LIMITED EXCEPTIONS ALREADY NOTED IN RECOMMENDATION 1 (d); AND
- (c) THE PLANNING AND CONSTRUCTION OF HOSPITALS.

## Recommendation 4

PROVINCIAL DECENTRALIZED SERVICES. TO IMPROVE ADMINISTRATION BY THE PROVINCE OF THOSE GENERAL SERVICES WHICH HAVE HERETOFORE BEEN ADMINISTERED IN WHOLE OR IN PART BY THE MUNICIPALITIES BUT ARE NOW TO BE TRANSFERRED, AS WELL AS THE GENERAL SERVICES WHICH MANY DEPARTMENTS OF THE PROVINCIAL GOVERNMENT HAVE BEEN PROVIDING THROUGH REGIONAL OR BRANCH OFFICES AND STAFFS, IT IS PROPOSED THAT THE PROVINCE BE DIVIDED INTO ELEVEN DEFINITE ADMINISTRATIVE REGIONS. EACH REGION, EXCEPT REGION TEN, WILL COMPRISE THE ENTIRE AREA OF A NUMBER OF CONTIGUOUS RURAL MUNICIPALITIES AS NOW OR HEREAFTER CONSTITUTED AND THE CITIES, TOWNS AND VILLAGES WITHIN THEM AND BE DESIGNED TO ENABLE THE PEOPLE OF THE REGION TO RECEIVE IN CO-ORDINATED FORM AND FROM A DESIGNATED CENTRE, ALL THE SERVICES OF THE VARIOUS DEPARTMENTS WHICH THE PROVINCIAL GOVERNMENT CONSIDERS RESPONSIVE TO SUCH DECENTRALIZATION.

REGION TEN (NORTHERN) AND REGION ELEVEN (METROPOLITAN WINNIPEG) ARE UNIQUE AND THE SAME STANDARDS CANNOT BE APPLIED IN THESE REGIONS. THEY WILL BE DEALT WITH SEPARATELY.

## Recommendation 5

REGIONAL INTER-MUNICIPAL COUNCILS. THE PROPOSED REGIONS SHOULD BRING TOGETHER THE MUNICIPALITIES OF EACH REGION IN A REPRESENTATIVE MUNICIPAL COUNCIL TO BE KNOWN AS THE REGIONAL COUNCIL, WHICH WOULD PROVIDE A FORUM FOR DEVELOPING VOLUNTARY PLANS FOR INTER-MUNICIPAL WORKS AND PROJECTS AND MACHINERY FOR THE SETTLEMENT OF DISAGREEMENTS WITH RESPECT TO SUCH PLANS BY THE MUNICIPAL BOARD.

## Recommendation 6

PROVINCIAL-MUNICIPAL REGIONAL CO-OPERATION. THE PROPOSED REGIONS SHOULD SET UP MACHINERY FOR THE JOINT ADMINISTRATION OF PROVINCIAL-MUNICIPAL PROGRAMS SUCH AS REGIONAL HOSPITAL ADMINISTRATION, HEALTH, WELFARE AND OTHER REGIONAL SERVICES IN WHICH LOCAL PARTICIPATION MAY ASSIST THE PROVINCIAL ADMINISTRATION. THIS USE MIGHT EVEN BE EXTENDED TO PROVIDE MUNICIPAL PARTICIPATION IN PROGRAMS SPONSORED PARTLY BY THE FEDERAL GOVERNMENT. MUNICIPAL PARTICIPATION WOULD BE PROVIDED THROUGH THE REGIONAL COUNCIL OR ITS NOMINEES.

## Recommendation 7

ESTABLISHMENT OF REGIONS. THE PROVINCE SHOULD TAKE THE INITIATIVE IN ESTABLISHING REGIONAL BOUNDARIES AND CENTRES AFTER THE PATTERN PROPOSED IN THE TENTATIVE DIVISIONS DESCRIBED IN THE MAPS AND TEXT OF THE REPORT BY ESTABLISHING A REGIONAL BOUNDARY COMMITTEE COMPOSED OF THE MINISTERS (OR THEIR REPRESENTATIVES) OF THE DEPARTMENTS WHICH ARE NOW MOST ACTIVE IN PROVIDING REGIONAL SERVICES, TOGETHER WITH REPRESENTATIVES OF RURAL AND URBAN MUNICIPALITIES.

## Recommendation 8

REGIONAL BUILDING AND FACILITIES. THE PROVINCE SHOULD TAKE RESPONSIBILITY FOR PROVIDING A PROVINCIAL-MUNICIPAL REGIONAL CENTRE WITH ACCOMMODATION FOR PROVINCIAL SERVICES AND REGIONAL COUNCIL AND COMMITTEE MEETINGS.

## Recommendation 9

REGIONAL ADMINISTRATIVE OFFICER. A REGIONAL ADMINISTRATIVE OFFICER DIRECTLY RESPONSIBLE TO THE PREMIER OR EXECUTIVE COUNCIL RATHER THAN TO THE HEAD OF A DEPARTMENT SHOULD BE APPOINTED FOR EACH REGION, WITH THE DUTY OF CO-ORDINATING THE REGIONAL ADMINISTRATION OF ALL RELATED PROVINCIAL SERVICES, OF SERVING WITHOUT VOTE ON THE REGIONAL COUNCIL AND PROVIDING LIAISON BETWEEN THE PROVINCIAL ADMINISTRATION AND THE REGIONAL COUNCIL.

## Recommendation 10

COMPOSITION OF REGIONAL COUNCILS. THE REGIONAL COUNCIL SHOULD BE COMPOSED OF REPRESENTATIVES OF ALL OF THE RURAL MUNICIPALITIES, CITIES, TOWNS AND INCORPORATED VILLAGES WITHIN THE REGION, APPOINTED FROM MUNICIPAL COUNCILS OR GROUPS OF MUNICIPAL COUNCILS IMMEDIATELY AFTER THE PROPOSED BIENNIAL ELECTIONS AND TO SERVE DURING THEIR TENURE AS MUNICIPAL COUNCILLORS AND TO BE ELIGIBLE FOR RE-ELECTION. THE MUNICIPALITY OR MUNICIPALITIES REPRESENTED SHOULD PAY THE FEES AND EXPENSES OF THEIR REPRESENTATIVE. REGIONAL COUNCILS SHOULD SETTLE THEIR OWN PROCEDURES.

## Recommendation 11

ORGANIZATION OF REGIONAL COUNCIL. THE GOVERNMENT, PREFERABLY THROUGH THE MINISTER OF MUNICIPAL AFFAIRS, SHOULD TAKE THE INITIATIVE IN CONVENING MEETINGS OF THE MUNICIPAL COUNCILS IN EACH REGION FOR THE PURPOSE OF ELECTING FROM AMONG THEM THEIR REPRESENTATIVES TO THE FIRST REGIONAL COUNCIL.

## Recommendation 12

INTER-MUNICIPAL PROCEEDINGS IN REGIONAL COUNCILS. THE REGIONAL COUNCIL WOULD BE CHARGED WITH THE RESPONSIBILITY AND DUTY OF CONSIDERING APPLICATIONS WHICH MAY BE MADE TO THE REGIONAL COUNCIL BY ANY ONE OR MORE OF ITS CONSTITUENT MUNICIPALITIES FOR

THE PROVISION OF INTER-MUNICIPAL SERVICES OR THE UNDERTAKING OF INTER-MUNICIPAL WORKS OR PROJECTS WHICH WILL BENEFIT OR AFFECT ANY TWO OR MORE OF THE REGIONAL MUNICIPALITIES AND IS WITHIN THEIR JURISDICTION AND COMPETENCE, AND COMES WITHIN THE FOLLOWING CATEGORIES OF INTER-MUNICIPAL SERVICES OR WORKS OR SUCH OTHER CATEGORIES AS THE COUNCIL MAY BE AUTHORIZED TO CONSIDER BY UNANIMOUS AGREEMENT OF ITS MEMBERS, OR BY PROVINCIAL LEGISLATION, NAMELY: PUBLIC WORKS, UTILITIES, DRAINAGE PROJECTS, FIRE AND POLICE PROTECTION, RECREATIONAL FACILITIES, LIBRARIES, ELDERLY PERSONS' HOUSING, PLANNING OF LAND USE AND ECONOMIC DEVELOPMENT.

IF AFTER HEARING THE APPLICANT AND THE MUNICIPALITIES AFFECTED BY THE APPLICATION THE REGIONAL COUNCIL IS UNABLE TO EFFECT A VOLUNTARY AGREEMENT AMONG THEM, THE REGIONAL COUNCIL SHALL HAVE POWER TO FORMULATE A PLAN FOR THE PROPOSED SERVICE, WORK OR PROJECT (OR PART THEREOF) DESIGNATING THE MUNICIPALITY OR MUNICIPALITIES TO CARRY OUT THE PLAN, AND APPORTIONING THE COSTS. UPON RECEIVING NOTICE OF THE PLAN AND COST, ANY MUNICIPALITY, UPON NOTICE TO THE OTHER MUNICIPALITIES CONCERNED AND TO THE REGIONAL COUNCIL, MAY APPEAL TO THE MUNICIPAL BOARD TO REJECT, MODIFY OR APPROVE THE PLAN, WHICH THE BOARD SHALL HAVE POWER TO DO. THE PLAN AS PROPOSED BY THE REGIONAL COUNCIL, IF NO APPEAL IS TAKEN WITHIN A SPECIFIED TIME, OR IF AN APPEAL IS TAKEN, THE PLAN AS SETTLED BY THE MUNICIPAL BOARD, SHALL BE OBSERVED AND PERFORMED BY THE MUNICIPALITIES CONCERNED AND MAY BE ENFORCED ACCORDINGLY.

#### Recommendation 13

PROVINCIAL PARTICIPATION IN EDUCATION. THE DEPARTMENT OF EDUCATION SHOULD ASSUME THE MAJOR RESPONSIBILITY FOR PROVIDING A BASIC MINIMUM STANDARD AND QUALITY OF EDUCATION THROUGHOUT THE PROVINCE. IT SHOULD PRESCRIBE THE BASIC CURRICULUM AND SET THE MINIMUM STANDARDS FOR INSTRUCTION, SUPERVISION, INSPECTION, LOCAL ADMINISTRATION, INSTRUCTIONAL SUPPLIES AND TRANSPORTATION OF PUPILS AND SHOULD GUARANTEE THE PROVISION OF SUCH MINIMUM STANDARDS OR 'FOUNDATION PROGRAM' IN ALL PARTS OF THE PROVINCE BY PAYING THE RESIDUAL COSTS OF THE FOUNDATION PROGRAM REMAINING AFTER CREDITING A UNIFORM LOCAL CONTRIBUTION DEFINED IN RECOMMENDATION 19 AS THE 'MANITOBA PUBLIC SCHOOL LEVY'.

#### Recommendation 14

SCHOOL BOARDS GENERALLY. SCHOOL BOARDS SHOULD CONTINUE, IN CO-OPERATION WITH THE DEPARTMENT, TO PROVIDE LOCAL ADMINISTRATION OF THE FOUNDATION PROGRAM AND SHOULD HAVE THE DISCRETION AND RESPONSIBILITY TO EXTEND AND IMPROVE UPON IT AT LOCAL EXPENSE.

## Recommendation 15

SCHOOL DIVISION BOARD PARTICIPATION. IN ADDITION TO THEIR PRESENT RESPONSIBILITY FOR SECONDARY SCHOOL EDUCATION, SCHOOL DIVISION BOARDS SHOULD BE GIVEN THE EXCLUSIVE FINANCIAL AND TAXING RESPONSIBILITY FOR ALL ELEMENTARY PUBLIC SCHOOLS WITHIN THEIR RESPECTIVE DIVISIONS, AS WELL AS GENERAL ADMINISTRATIVE RESPONSIBILITY FOR SUCH ELEMENTARY SCHOOLS, BUT RESERVING TO DISTRICT SCHOOL BOARDS THE FUNCTIONS MENTIONED BELOW.

AS A NECESSARY CONSEQUENCE OF THE PROPOSED TRANSFER OF FISCAL RESPONSIBILITY, ALL ASSETS AND LIABILITIES OF THE SCHOOL DISTRICTS WITHIN THE DIVISION SHOULD BE VESTED IN AND ASSUMED BY THE SCHOOL DIVISION WITHOUT ADJUSTMENT OR COMPENSATION TO THE DISTRICTS.

## Recommendation 16

DISTRICT SCHOOL BOARD PARTICIPATION. DISTRICT SCHOOL BOARDS SHOULD CONTINUE WITH THE FOLLOWING SPECIFIC RESPONSIBILITIES:

- (a) SELECTION OF TEACHERS WITHIN SALARY SCALES AUTHORIZED BY THE DIVISION;
- (b) SUPERVISION AND CARE OF SCHOOL PROPERTY;
- (c) CONTROL OF THE USE OF SCHOOL PROPERTY FOR COMMUNITY PURPOSES;
- (d) EXERCISE OF THE STATUTORY AUTHORITY FOR RELIGIOUS INSTRUCTION; AND
- (e) ADVISING THE SCHOOL DIVISION BOARD WITH RESPECT TO SCHOOL DISTRICT AFFAIRS.

## Recommendation 17

SUPERVISION AND INSPECTION. WHEN SCHOOL DIVISIONS BECOME RESPONSIBLE FOR ELEMENTARY AS WELL AS SECONDARY EDUCATION THEY SHOULD HAVE THE PROFESSIONAL ASSISTANCE OF A SUPERINTENDENT WHOSE SALARY SHOULD BE INCLUDED IN THE FOUNDATION PROGRAM ADMINISTRATION COSTS. THE DEPARTMENT OF EDUCATION SHOULD CO-ORDINATE THE FUNCTIONS OF ITS INSPECTORS WITH THOSE OF THE DIVISIONAL SUPERVISORY STAFF.

## Recommendation 18

CHANGES IN DISTRICTS AND DIVISIONS. THE PROVINCE SHOULD REVISE THE MANY AND COMPLICATED LEGISLATIVE PROVISIONS WHICH NOW PROVIDE FOR:

- (a) THE CONSOLIDATION, UNION, FORMATION, ALTERATION AND DISSOLUTION OF SCHOOL DISTRICTS;
- (b) THE ESTABLISHMENT AND ALTERATION OF SCHOOL DIVISIONS; AND
- (c) PROPERTY AND DEBT ADJUSTMENTS

WITH A VIEW TO ESTABLISHING A PROCEDURE FOR BRINGING ANY OF THESE MATTERS BEFORE A PERMANENT COMMISSION OR BOARD, PREFERABLY THE MUNICIPAL BOARD, BY PETITION OF SCHOOL



DIVISIONS, SCHOOL DISTRICTS, MUNICIPAL COUNCILS, RESIDENT ELECTORS OR BY REFERENCE OF THE MINISTER OF EDUCATION, OR BY WAY OF APPEAL FROM A DECISION OF A MUNICIPALITY. THE MUNICIPAL BOARD SHOULD BE OBLIGED TO HOLD PUBLIC HEARINGS IN THE AREA CONCERNED AND WHEN PETITIONED TO DO SO TO ORDER A POPULAR VOTE BEFORE DIRECTING ANY IMPORTANT CHANGE IN STATUS OF A SCHOOL CORPORATION. THE MINISTER SHOULD REFER TO THE MUNICIPAL BOARD THE DISSOLUTION OF ANY DISTRICT SCHOOL WHICH HAS NOT OPERATED A SCHOOL FOR TWO OR MORE CONSECUTIVE YEARS.

WE PROPOSE THAT THE DEPARTMENT OF EDUCATION CONSIDER THE APPOINTMENT OF A FULL-TIME OFFICER TO SURVEY EXISTING RURAL SCHOOL LOCATIONS AND FACILITIES WITH A VIEW TO PLANNING AND PROPOSING DESIRABLE CONSOLIDATIONS TO THE SCHOOL BOARDS CONCERNED AND TO THE MINISTER.

#### Recommendation 19

LOCAL TAXATION. REAL PROPERTY TAXPAYERS SHOULD CONTINUE TO CONTRIBUTE TO THE COST OF PUBLIC SCHOOL EDUCATION BUT IN REDUCED AMOUNTS. THE BASIC CONTRIBUTION, REFERRED TO HEREIN AS THE 'MANITOBA PUBLIC SCHOOL LEVY', SHOULD BE A REAL PROPERTY TAX UNIFORM THROUGHOUT THE PROVINCE AND AT THE RATE, AT PRESENT, OF 13 MILLS LEVIED UPON EQUALIZED ASSESSMENTS INCLUDING BUSINESS SURTAX ASSESSMENT, AS DETERMINED BY THE DEPARTMENT OF EDUCATION. THE LEVY SHOULD BE BILLED AND COLLECTED BY MUNICIPALITIES AND PAID OVER TO SCHOOL DIVISIONS TO BE APPLIED ON THE COST OF THE FOUNDATION PROGRAM FOR THE DIVISION.

#### Recommendation 20

PROVINCIAL CONTRIBUTION. THE DEPARTMENT OF EDUCATION SHOULD REDEFINE THE FOUNDATION PROGRAM FOR ELEMENTARY AND SECONDARY SCHOOLS IN TERMS OF COMPLETE COST OF ALL OF ITS COMPONENTS AND SHOULD PAY TO EACH DIVISION ANY BALANCE OF THE COST OF SUCH FOUNDATION PROGRAM AFTER APPLYING TO IT THE MANITOBA PUBLIC SCHOOL LEVY.

#### Recommendation 21

SPECIAL LEVY. DIVISION SCHOOL BOARDS SHOULD HAVE POWER TO PROVIDE FOR BOTH ELEMENTARY AND SECONDARY SCHOOL SERVICES OF A STANDARD AND QUALITY IN EXCESS OF THOSE PROVIDED BY THE FOUNDATION PROGRAM, AND THE COST OF SUCH SERVICES OVER AND ABOVE THE COST OF THE FOUNDATION PROGRAM SHOULD BE LEVIED BY SCHOOL DIVISION BOARDS AS AN ADDITIONAL TAX AT A UNIFORM RATE UPON THE EQUALIZED ASSESSMENTS INCLUDING BUSINESS SURTAX ASSESSMENT, THROUGHOUT THE DIVISION.

#### Recommendation 22

REVIEW OF COSTS. A CONTINUING COMMITTEE OF REVIEW SHOULD BE ESTABLISHED BY STATUTE, MADE UP OF DEPARTMENT, MUNICIPAL AND SCHOOL BOARD REPRESENTATIVES, AND CHARGED WITH EXAMINING THE FOUNDATION PROGRAM AND AT INTERVALS OF, SAY, TWO YEARS RECOM-

MENDING SUCH CHANGES AS ARE NECESSARY TO KEEP MAXIMUM PERMISSIBLE COSTS UNDER THE PROGRAM IN LINE WITH ACTUAL COSTS AS WELL AS RECOMMENDING NECESSARY ADJUSTMENTS IN THE RATE OF THE MANITOBA PUBLIC SCHOOL LEVY.

#### Recommendation 23

CAPITAL COSTS. SO AS TO ENCOURAGE CONSOLIDATION OF SMALL ELEMENTARY SCHOOLS IN THE IMMEDIATE FUTURE THE PROVINCE SHOULD INCREASE ITS CONTRIBUTION TO THE CAPITAL COST OF CONSTRUCTING NEW ELEMENTARY SCHOOLS. ON THE BASIS OF MAXIMUM COSTS OF \$17,500 PER ELEMENTARY CLASSROOM OR CLASSROOM EQUIVALENT WE SUGGEST THE FOLLOWING SCALE OF PROVINCIAL CONTRIBUTION:

NUMBER OF CLASSROOMS IN ELEMENTARY SCHOOL BUILDING	PROVINCIAL GRANT AS A PERCENTAGE OF CLASSROOM COST (MAXIMUM \$17,500)
1 - 4 ROOMS INCLUSIVE	40%
5 ROOMS OR MORE, AND ALL REMOTE SCHOOLS	60%

IF SECONDARY SCHOOL CONSOLIDATION HAS BEEN SUFFICIENTLY ADVANCED THERE SEEMS TO BE NO GOOD REASON FOR THE PROVINCE TO CONTRIBUTE A GREATER PERCENTAGE OF THE COSTS OF NEW SECONDARY SCHOOLS THAN IS PROPOSED ABOVE FOR NEW ELEMENTARY SCHOOLS, BUT IT IS SUGGESTED THAT A HIGHER MAXIMUM BE ALLOWED FOR SECONDARY SCHOOL CLASSROOMS.

#### Recommendation 24

MUNICIPAL TAX ON REALTY. MUNICIPALITIES SHOULD HAVE PRIORITY IN THE USE OF THE TAX ON REAL PROPERTY AS THEIR TRADITIONAL AND ONLY APPROPRIATE MAJOR SOURCE OF TAX REVENUE. TO MAKE THE TAX ADEQUATE TO SUPPORT MUNICIPAL FUNCTIONS AS WE HAVE DEFINED THEM, WE HAVE RECOMMENDED THE TRANSFER FROM THE REAL PROPERTY TAX TO PROVINCIAL TAXES OF A VERY SUBSTANTIAL PART OF THE COSTS OF THE GENERAL SERVICES OF HEALTH, SOCIAL WELFARE AND PUBLIC SCHOOL EDUCATION.

#### Recommendation 25

INSTALMENT PAYMENT. WE BELIEVE THAT THE REAL PROPERTY TAX WOULD BE LESS OBJECTIONABLE TO MANY TAXPAYERS IF PAID IN MONTHLY INSTALMENTS WITHOUT PENALTY, AND RECOMMEND THAT MUNICIPALITIES, IF THEY DO NOT FIND IT PRACTICABLE TO BILL TAXES FOR INSTALMENT PAYMENT, SHOULD, AT LEAST, INFORM THEIR CITIZENS OF THE PRIVILEGE AVAILABLE TO THEM OF PAYING TAXES BY INSTALMENTS RATHER THAN IN A LUMP SUM AND THE TERMS UPON WHICH SUCH PAYMENTS MAY BE MADE.

## Recommendation 26

DEFERRED PAYMENT. WE AGREE THAT MUNICIPALITIES SHOULD HAVE AND USE THE POWER TO DEFER PAYMENT OF THE INCREASED PORTION OF REAL PROPERTY TAX ON SMALL HOMES WHERE THE INCREASE WAS CAUSED BY A RAPID RISE IN RATEABLE VALUE; PROVIDED THAT THE OWNER RESIDES IN THE HOUSE AND WOULD OTHERWISE BE FORCED TO VACATE BECAUSE OF LACK OF INCOME OR ASSETS OTHER THAN THE RESIDENCE, AND PROVIDED THAT THE DEFERRED TAXES AND INTEREST CAN BE FULLY SECURED BY A FIRST CHARGE ON THE PROPERTY AND WILL BECOME DUE UPON THE DEATH OF THE OWNER, OR SALE OF THE PROPERTY OR ANY PART THEREOF, WHICHEVER HAPPENS FIRST.

WE WOULD NOT OBJECT TO DEFERMENT ON SIMILAR TERMS OF THE INCREASED TAXES OF FARMERS WHOSE LANDS, AFFECTED BY URBAN GROWTH, ARE INCREASING IN VALUE SO AS TO MAKE FARM USE OF THEM UNECONOMIC, PROVIDED THAT DEFERMENT IS ONLY FOR SUCH TIME AS THEY RESIDE UPON AND CONTINUE TO FARM ALL OF THEIR LANDS WITHOUT SALE OF ANY PART.

## Recommendation 27

RESPONSIBILITY FOR LIMITATION. ALTHOUGH THE RESPONSIBILITY FOR RETAINING THE LEVEL OF REAL PROPERTY TAXATION WITHIN DESIRABLE LIMITS IS A PRIMARY DUTY OF MUNICIPAL COUNCILS AND DIVISION SCHOOL BOARDS, WHOSE INDEPENDENT DECISIONS FIX THE TOTAL ANNUAL RATE OF LEVY, AND OF THE MUNICIPAL AND SCHOOL ELECTORS WHO ELECT THESE COUNCILS AND SCHOOL BOARDS, IT SHOULD NEVERTHELESS BE AN EQUAL CONCERN OF PROVINCIAL POLICY TO KEEP THE REAL PROPERTY TAX RATE WITHIN PROPER BOUNDS.

THE PROVINCIAL GOVERNMENT SHOULD KEEP A CLOSE WATCH ON THE LEVEL OF THIS TAX IN THE FUTURE WITH A VIEW TO APPLYING APPROPRIATE REMEDIES IF THE TAX LEVY BECOMES EXCESSIVE THROUGHOUT THE PROVINCE, SUCH AS THE REMEDY WHICH HAS BEEN PROPOSED IN THIS REPORT, THAT IS, THE REMOVAL FROM REAL PROPERTY OF A FURTHER PART OF THE BURDEN OF PUBLIC SCHOOL COSTS. THIS COULD BE DONE AGAIN QUITE SIMPLY BY LOWERING THE MANITOBA PUBLIC SCHOOL LEVY. THE LEVEL OF THE REAL PROPERTY TAX SHOULD BE REVIEWED BY THE PROVINCIAL GOVERNMENT AS SOON AS THE VARIOUS RECOMMENDATIONS OF THIS REPORT WHICH AFFECT THE TAX HAVE BEEN APPLIED, AND THEREAFTER AT INTERVALS OF TWO OR THREE YEARS, PREFERABLY IN CONJUNCTION WITH THE CONSIDERATION OF THE COSTS OF THE FOUNDATION PROGRAM OF PUBLIC SCHOOL EDUCATION BY THE COMMITTEE OF REVIEW, REFERRED TO IN RECOMMENDATION 22.

## Recommendation 28

UNIFIED ASSESSMENT SERVICE. THE ASSESSMENT BRANCH OF THE DEPARTMENT OF MUNICIPAL AFFAIRS SHOULD BE CHARGED WITH THE RESPONSIBILITY FOR ASSESSMENT OF REAL PROPERTY FOR TAXATION IN ALL MUNICIPALITIES, EXTENDING ITS PRESENT SERVICE AS SOON AS POSSIBLE TO THE FOLLOWING SIX MUNICIPALITIES WHICH STILL HAVE

THEIR OWN ASSESSMENT STAFFS: THE CITIES OF BRANDON AND PORTAGE LA PRAIRIE AND THE TOWNS OF DAUPHIN, FLIN FLON, SELKIRK AND THE PAS, AND EVENTUALLY TO THE METROPOLITAN AREA MUNICIPALITIES, AFTER A SUITABLE PERIOD FOR ADJUSTMENT AND TRANSFER OF THE ASSESSMENT DEPARTMENT OF THE METROPOLITAN CORPORATION OF GREATER WINNIPEG.

Recommendation 29

COST. THE ENTIRE COST OF THIS ASSESSMENT SERVICE BY THE PROVINCE SHOULD BE CHARGED TO AND PAID BY THE MUNICIPALITIES CONCERNED.

Recommendation 30

INTERVAL OF ASSESSMENT. THE MANDATORY PERIOD OF SEVEN YEARS FOR REASSESSMENT IS TOO LONG. WE RECOMMEND COMPLETE RE-ASSESSMENT AT INTERVALS RANGING FROM A MAXIMUM OF FIVE YEARS DOWN TO ONE YEAR, DEPENDING ON THE RATE OF CHANGE OF PROPERTY VALUES IN DIFFERENT COMMUNITIES. FOR EXAMPLE, ALL PROPERTY IN METROPOLITAN WINNIPEG SHOULD BE REVIEWED EVERY THREE YEARS AND ANNUAL REVIEWS SHOULD BE MADE OF LAND IN AREAS OF RAPIDLY RISING VALUES.

Recommendation 31

STAFF. THE STAFF OF THE PROVINCIAL ASSESSMENT BRANCH SHOULD BE INCREASED AS MAY BE NECESSARY TO GIVE EFFECT TO THESE RECOMMENDATIONS.

Recommendation 32

RECORDS. ASSESSMENTS SHOULD BE CLASSIFIED IN THE ROLLS SO AS TO MAKE IT POSSIBLE TO DISTINGUISH ASSESSMENTS ACCORDING TO THE USE OF THE PROPERTY, THAT IS, FARM AND NON-FARM, BUSINESS, RESIDENTIAL AND NON-BUSINESS PROPERTIES AND THE DIVISION OF ASSESSMENTS BETWEEN LAND AND BUILDINGS. THE RECORD OF EXEMPT PROPERTY SHOULD ALSO BE KEPT UP-TO-DATE.

Recommendation 33

EQUALIZED ASSESSMENTS. TO GIVE A BETTER COMPARATIVE VALUE OF THE FISCAL CAPACITY OF MUNICIPALITIES, EQUALIZED ASSESSMENTS SHOULD INCLUDE THE ASSESSED VALUE OF SUCH PERSONAL PROPERTY AS CONTINUES TO BE TAXABLE AND THE ASSESSMENT BASE FOR THE BUSINESS SURTAX.

Recommendation 34

CAPITAL VALUE. GREATER ATTENTION NEEDS TO BE PAID TO THE RELATIONSHIP BETWEEN ASSESSED VALUE AND CAPITAL (CURRENT, REAL OR MARKET) VALUE OF PROPERTY OF ALL KINDS. THERE IS NOW AN INCREASING NUMBER OF SALES OF FARM PROPERTIES AND A MOST VIGOROUS EFFORT SHOULD BE MADE TO RELATE FARM ASSESSMENTS TO TYPICAL MARKET VALUES OF FARM PROPERTIES AND TO ENSURE THAT THIS RELATIONSHIP IS THE SAME FOR FARM PROPERTIES AS FOR OTHER CLASSES OF PROPERTY.



## Recommendation 35

REVISION PROGRAM. THE REASSESSMENTS OF TAXABLE LANDS AND BUILDINGS WHICH WILL BE NECESSARY TO INCORPORATE THE VALUE OF FARM BUILDINGS NOW EXEMPT AND THE FULL VALUE OF OTHER BUILDINGS NOW EXEMPT FOR ONE-THIRD OF THEIR VALUE (SEE RECOMMENDATION 41) SHOULD BE MADE WITH THE FOLLOWING CONSIDERATIONS IN MIND:

- (a) ALTHOUGH THE ASSESSMENT OF FARM BUILDINGS WILL REQUIRE AN ACTUAL PHYSICAL APPRAISAL WHICH WILL TAKE SOME TIME EVEN WITH A SUBSTANTIALLY INCREASED STAFF OF ASSESSORS WHEREAS THE RAISING OF THE ASSESSMENT OF OTHER BUILDINGS COULD BE DONE STATISTICALLY FROM EXISTING INFORMATION, IT IS HIGHLY DESIRABLE THAT THE INCORPORATION OF BOTH OF THESE NEW ASSESSMENTS IN THE ROLLS FOR TAXATION SHOULD BE DONE AT THE SAME TIME IN EVERY MUNICIPALITY AND PREFERABLY IN ALL MUNICIPALITIES THROUGHOUT THE PROVINCE SO AS TO AVOID UNNECESSARY SHIFTING AND DISTURBANCE OF THE INCIDENCE OF TAXATION AS BETWEEN RURAL AND URBAN TAXPAYERS; AND
- (b) ALTHOUGH ALL ASSESSMENTS OF LAND AND BUILDINGS ARE TO BE MADE AT 100 PER CENT OF THEIR VALUE, IT IS DESIRABLE FOR GOOD ASSESSMENT PRACTICE TO ENTER THE ASSESSMENT OF ALL LAND AND BUILDINGS IN THE ROLLS FOR TAXATION PURPOSES AT A FIXED AND UNIFORM PERCENTAGE OF VALUE. FOR THIS PURPOSE WE RECOMMEND THAT THE ASSESSMENTS, AFTER BEING COMPLETED AT FULL VALUE, BE REDUCED TO AND ENTERED AT 50 PER CENT OF FULL VALUE, WHICH HAS THE ADVANTAGE OF PROVIDING A SIMPLE RELATIONSHIP TO THE CURRENT CAPITAL VALUE AS WELL AS BEING ONLY SLIGHTLY ABOVE THE AVERAGE OF EXISTING ASSESSMENT-SALES RELATIONSHIPS THROUGHOUT THE PROVINCE.

## Recommendation 36

CROWN AGENCIES. MANITOBA HYDRO'S FIXED GRANTS ON THE DISTRIBUTION SYSTEM OF THE WINNIPEG ELECTRIC COMPANY SHOULD BE REPLACED BY GRANTS EQUAL TO FULL TAXES. CROWN AGENCIES OF A COMMERCIAL KIND SHOULD CONTINUE TO PAY GRANTS IN LIEU OF THE FULL TAX RATE INCLUDING BUSINESS TAX OR BUSINESS SURTAX. NON-COMMERCIAL CROWN AGENCIES SHOULD PAY GRANTS IN LIEU OF TAXES ON THE SAME BASIS AS DEPARTMENTAL PROPERTIES.

## Recommendation 37

PROVINCIAL CROWN LANDS. GRANTS IN LIEU OF REAL PROPERTY TAXES ON NEARLY ALL TYPES OF DEPARTMENTAL PROPERTY OF THE PROVINCE OF MANITOBA WHICH RECEIVE MUNICIPAL SERVICES SHOULD BE PAID ANNUALLY TO THE MUNICIPALITIES CONCERNED INCLUDING THE FOLLOWING: UNIVERSITIES, COLLEGES AND MEDICAL COLLEGES; TEACHERS' COLLEGE; VOCATIONAL AND TECHNICAL SCHOOLS; REFORM SCHOOLS; SCHOOLS FOR MENTAL DEFECTIVES; JAILS, COURT HOUSES, LAND TITLES OFFICES; PROPOSED REGIONAL BUILDINGS; PROVINCIAL POWER TRANSMISSION LINES; HOSPITALS; MENTAL HOSPITALS; TUBERCULOSIS SANATORIA; COMMUNITY PASTURES; UNIVERSITY AND SCHOOL LANDS AND OTHER CROWN LAND UNDER ANNUAL LEASE OR PERMIT FOR GRAZING OR HAY, OR GENERAL PERMIT; LIEUTENANT-GOVERNOR'S RESIDENCE; LEGISLATIVE BUILDING, ETC., BUT EXCLUDING THE FOLLOWING: UNPATENTED LANDS; PROVINCIAL FOREST RESERVES; HIGHWAYS AND ROADS OPEN TO THE PUBLIC AND ROAD ALLOWANCES; FLOODWAYS AND DRAINAGE RIGHTS-OF-WAY; PROPERTY LEASED TO OR OCCUPIED BY A PERSON HAVING A TAXABLE INTEREST THEREIN; FARM BUILDINGS (SO LONG AS THESE CONTINUE EXEMPT FOR OTHERS); STRUCTURES, THAT IS, IMPROVEMENTS WHICH ARE NOT BUILDINGS AND IN WHICH PEOPLE CANNOT WORK; AND MINERALS.

## Recommendation 38

PROCEDURE. THE PROVINCIAL GOVERNMENT SHOULD KEEP THE RIGHT, EXERCISABLE ON ADVICE FROM THE PROVINCIAL MUNICIPAL ASSESSOR OR THE LOCAL ASSESSOR IN CITIES AND TOWNS NOT PROVINCIALY ASSESSED, TO ESTABLISH THE VALUES UPON WHICH THE GRANTS WOULD BE PAID. THE GRANT SHOULD BE PAID TO THE MUNICIPALITY AND BE BASED NORMALLY ON THE FULL TAX, AVOIDING SERVICE DEDUCTIONS APART FROM EXCEPTIONAL CIRCUMSTANCES. NO GRANTS SHOULD BE PAID ON DEPARTMENTAL PROPERTY IN LIEU OF BUSINESS TAX.

## Recommendation 39

LIMIT OF GRANT. THE GRANT TO ANY MUNICIPALITY SHOULD NOT EXCEED A FIXED PERCENTAGE OF FIVE PER CENT OF THE CURRENT REAL PROPERTY TAX LEVY OF THE MUNICIPALITY INCLUDING LEVIES FOR SCHOOL OR OTHER SPECIAL PURPOSES OR \$10,000, WHICHEVER IS THE GREATER.

## Recommendation 40

LEGISLATIVE BUILDING. THE GRANTS FOR THE LEGISLATIVE BUILDING IN WINNIPEG SHOULD BE LESS THAN THE EQUIVALENT OF THE REAL PROPERTY RATE ON ITS FULL ASSESSED VALUE BECAUSE OF THE RELATIVELY FEW PEOPLE WHO OCCUPY IT IN COMPARISON WITH TAXABLE OFFICE BUILDINGS. THE AMOUNT OF THE GRANT SHOULD BE IN THE DISCRETION OF THE GOVERNMENT. A FORMULA SUGGESTED IN THIS PART WOULD PRODUCE AN INITIAL PAYMENT OF \$100,000 ANNUALLY WHICH SHOULD BE REVIEWED PERIODICALLY.

#### Recommendation 41

REMOVAL OF EXEMPTIONS. FOR PURPOSES OF TAXATION REAL PROPERTY SHOULD BE TREATED AS A WHOLE AND NO EXEMPTION SHOULD BE ALLOWED FOR ANY PART OF THE VALUE OF LAND OR BUILDINGS. SPECIFICALLY, THE EXEMPTION OF ONE-THIRD OF THE VALUE OF NON-FARM BUILDINGS AND THE EXEMPTION OF THE FULL VALUE OF FARM BUILDINGS SHOULD BE ELIMINATED. CERTAIN EXISTING STATUTORY AND DISCRETIONARY EXEMPTIONS SHOULD BE ALTERED AS SET OUT IN TABLE 14 OF THIS PART.

#### Recommendation 42

TAX PREFERENCES. THE AUTHORITY TO GRANT SPECIAL MUNICIPAL TAX PREFERENCES TO INDUSTRY IN ANY FORM SHOULD BE DISCONTINUED.

#### Recommendation 43

MUNICIPAL TAX ON BUSINESS. THE BUSINESS TAX SHOULD BE RETAINED AS A SOURCE OF MUNICIPAL REVENUE JUSTIFIED BY THE PREFERENCE IT CREATES IN FAVOUR OF THOSE WHO PAY TAXES ON RESIDENTIAL AND NON-BUSINESS PROPERTY OVER THOSE WHO PAY TAXES ON BUSINESS PROPERTY.

#### Recommendation 44

METHOD OF ASSESSMENT AND LEVY. THE BUSINESS ASSESSMENT ON WHICH THE BUSINESS TAX IS LEVIED SHOULD BE A PERCENTAGE OF THE ASSESSED VALUE OF THE BUSINESS PREMISES THEMSELVES, AS ASSESSED FOR TAXATION AS REAL PROPERTY, RATHER THAN THE ANNUAL RENTAL VALUE OF THE BUSINESS PREMISES AS AT PRESENT. UPON THIS PERCENTAGE, WHICH WOULD BE DEEMED TO BE RATEABLE PROPERTY, THE MUNICIPALITY WOULD LEVY ANNUALLY, AT THE MILL RATE APPLICABLE TO OTHER RATEABLE REAL PROPERTY, A TAX OR SURTAX WHICH WOULD BE KNOWN AS THE BUSINESS TAX AND WOULD BE DEEMED IN LAW TO STAND IN THE PLACE OF THE PRESENT BUSINESS TAX IN THE INTERPRETATION OF EXISTING LEASES BETWEEN OWNERS AND TENANTS OF BUSINESS PROPERTY OR OF OTHER EXISTING CONTRACTUAL PROVISIONS WITH RESPECT TO THE PAYMENT OF BUSINESS TAXES.

#### Recommendation 45

UNIFORMITY. THE BUSINESS ASSESSMENT AND CONSEQUENTLY THE RATE OF BUSINESS TAX SHOULD BE UNIFORM FOR ALL KINDS OF TAXABLE BUSINESS WITHIN EACH MUNICIPALITY.

#### Recommendation 46

COMPULSORY NATURE. ALL MUNICIPALITIES SHOULD BE REQUIRED TO LEVY THE BUSINESS TAX.

#### Recommendation 47

LEVEL OF SURTAX. THE BUSINESS ASSESSMENT SHOULD BE ESTABLISHED BY STATUTE AT NOT MORE THAN 45 PER CENT, NOR LESS THAN 30 PER CENT OF THE REAL PROPERTY ASSESSMENT OF BUSINESS PREMISES. TO

GIVE EFFECT TO THE RECOMMENDATION OF THE METROPOLITAN CORPORATION OF GREATER WINNIPEG REVIEW COMMISSION, THE BUSINESS ASSESSMENT MUST BE UNIFORM IN ALL THE AREA MUNICIPALITIES WITHIN OR PARTLY WITHIN THE METROPOLITAN BOUNDARIES, AND WE SO RECOMMEND. ALL OTHER MUNICIPALITIES THROUGHOUT THE PROVINCE SHOULD BE FREE TO ESTABLISH BUSINESS ASSESSMENT AT ANY PERCENTAGE FROM 45 TO 30 INCLUSIVE, OF THE REAL PROPERTY ASSESSMENT OF BUSINESS PREMISES AS THEY SEE FIT.

#### Recommendation 48

LIABILITY. AS AT PRESENT THE PROPOSED BUSINESS TAX SHOULD BE PAID BY PERSONS CARRYING ON BUSINESS AND SHOULD NOT BE A CHARGE ON THE LAND OR BUILDINGS SO OCCUPIED.

#### Recommendation 49

RESIDENTIAL PREFERENCE. WE APPROVE THE PRINCIPLE OF GIVING TO RESIDENTIAL AND NON-BUSINESS PROPERTY TAXPAYERS A TAX PREFERENCE AS AGAINST BUSINESS PROPERTY TAXPAYERS AND CONSIDER THAT THE EXCESS LEVY OR SURTAX ON BUSINESS PROPERTY WHICH WE PROPOSE FOR THE FUTURE WOULD GIVE A SATISFACTORY PREFERENCE. 'RESIDENTIAL' PROPERTY SHOULD INCLUDE ALL FARM, RURAL OR URBAN DWELLINGS AND DWELLING UNITS WHICH ARE OWNER-OCCUPIED OR RENTED. 'NON-BUSINESS' PROPERTY COMPRISES ALL PROPERTY WHICH IS NEITHER RESIDENTIAL NOR BUSINESS PROPERTY.

#### Recommendation 50

OTHER MUNICIPAL TAXES AND REVENUES. THE POWERS OF MUNICIPAL CORPORATIONS TO LEVY TAXES AND COLLECT MISCELLANEOUS REVENUES SHOULD REMAIN UNCHANGED WITH THE FOLLOWING EXCEPTIONS AND QUALIFICATIONS:

- (a) REPEAL OF THE POWER OF MUNICIPALITIES TO LEVY THE PERSONAL PROPERTY TAX, THE POLL TAX AND THE STATUTE LABOUR TAX;
- (b) THE TAX ON OIL, NATURAL GAS AND SALT PRODUCTION EQUIPMENT AND GAS TRANSMISSION LINES, NOW TAXED AS PERSONAL PROPERTY, SHOULD BE CONTINUED. THIS FORM OF PROPERTY, TOGETHER WITH PIPE LINES UNDER SECTION 1007 OF THE MUNICIPAL ACT, AND OTHER SIMILAR FIXTURES TO REAL PROPERTY, WHETHER OR NOT UNDER SEPARATE OWNERSHIP FROM THE LAND, MIGHT BETTER BE TAXED AS REAL PROPERTY RATHER THAN AS PERSONAL PROPERTY; AND
- (c) THE ELECTRICITY AND GAS SALES TAX OF THE CITY OF WINNIPEG SHOULD NOT BE INTERFERED WITH UNLESS IT CONFLICTS WITH A MORE GENERAL PROVINCIAL SALES TAX.



## Recommendation 51

PROVINCIAL GRANTS. MUNICIPALITIES WHEN THEY HAVE BEEN RELIEVED OF PART OF THE COSTS OF EDUCATION AND FROM THE RESPONSIBILITY FOR HEALTH AND WELFARE SERVICES AND HAVE GREATER ACCESS TO THE REAL PROPERTY TAX SHOULD BE ABLE TO CARRY OUT THEIR FUNCTIONS WITHOUT UNCONDITIONAL GRANTS FROM THE PROVINCE. THESE GRANTS SHOULD BE DISCONTINUED. CONDITIONAL OR INCENTIVE GRANTS SHOULD NOT BE OFFERED TO MUNICIPALITIES AS A SOURCE OF REVENUE TO ENABLE THEM TO CARRY OUT THEIR EXCLUSIVE RESPONSIBILITIES.

## Recommendation 52

MUNICIPAL DEBT. CONTROL OF LOCAL GOVERNMENT BORROWING SHOULD BE CENTRED IN THE MUNICIPAL BOARD AND RATEPAYER APPROVAL OF BORROWING BY-LAWS SHOULD ONLY BE REQUIRED WHEN ORDERED BY THE MUNICIPAL BOARD AS RECOMMENDED IN CHAPTER IX, PART B. THE EXCEPTIONS TO THE STATUTORY CONTROLS IN THE WINTER EMPLOYMENT ACT SHOULD BE REMOVED.

WE DO NOT FIND THE LEVEL OF EXISTING DEBT TO BE UNDULY BURDENSOME, NOR DO WE FIND EVIDENCE THAT LOCAL GOVERNMENTS IN MANITOBA NEED ADDITIONAL ASSISTANCE AT PRESENT FROM EITHER PROVINCIAL OR FEDERAL GOVERNMENTS IN THE MARKETING OF THEIR DEBENTURES.

## Recommendation 53

PROVINCIAL TAXATION. IF OUR RECOMMENDATIONS WERE IN FULL EFFECT THEY WOULD INVOLVE THE TRANSFER FROM MUNICIPAL TAXPAYERS TO PROVINCIAL TAXPAYERS OF AMOUNTS ESTIMATED AT \$13.1 MILLION FOR 1964, \$14.0 MILLION FOR 1965 AND \$15.1 MILLIONS FOR 1966. IN CONSIDERING HOW THE PROVINCE MIGHT RAISE SUCH AMOUNTS FOR WHAT WERE FORMERLY LOCAL GOVERNMENT PURPOSES, WE MADE THE ASSUMPTION THAT THE PROVINCE WAS NOW RAISING ONLY THE REVENUES WHICH WERE REQUIRED FOR ITS PRESENT RESPONSIBILITIES, AND THE FURTHER ASSUMPTION THAT NORMAL INCREASE IN PRESENT REVENUES WOULD BE REQUIRED FOR NORMAL INCREASE IN PRESENT PROVINCIAL EXPENDITURES, AND, THEREFORE, THE PROVINCE COULD NOT ASSUME THE ADDITIONAL EXPENDITURE WITHOUT RAISING NEW REVENUE OR INCREASING DEBT. ON THIS BASIS WE RECOMMEND TO THE PROVINCE THAT THE NECESSARY FUNDS BE RAISED BY TAXATION RATHER THAN BY INCREASING DEBT AND THAT THE BEST METHOD OF OBTAINING THE REQUIRED REVENUE IS A CONSUMER PURCHASE AND USE TAX, COMMONLY CALLED A RETAIL SALES TAX, LEVIED AT A SUFFICIENT RATE AND WITH APPROPRIATE EXCLUSIONS AND EXEMPTIONS FROM THE TAX.

## Recommendation 54

BOUNDARY REVISION. A RATIONAL APPROACH TO THE REORGANIZATION OF MUNICIPALITIES AND SCHOOL DIVISIONS WOULD BE TO BEGIN WITH THE ENLARGEMENT OF RURAL MUNICIPALITIES BY ANNEXATION OR AMALGAMATION OF THE EXISTING 106 MUNICIPALITIES INTO ABOUT 40

TO 50 LARGER MUNICIPALITIES, EACH OF WHICH WOULD LIE ENTIRELY WITHIN A REGION. CONCURRENTLY WITH ANY ENLARGEMENT OF MUNICIPAL BOUNDARIES, CONSIDERATION SHOULD BE GIVEN TO AN APPROPRIATE REVISION OF THE BOUNDARIES OF THE SCHOOL DIVISION OR DIVISIONS IN THE AREA SO AS TO ESTABLISH COTERMINOUS MUNICIPAL AND DIVISION BOUNDARIES WHEN POSSIBLE. AS THIS IS A CONTINUOUS PROCESS WHICH WILL ONLY BE ACCOMPLISHED OVER A PERIOD OF TIME, IT SHOULD BE PUT UNDER THE DIRECTION OF A CONTINUING COMMISSION.

WE RECOMMEND FOR THIS PURPOSE THE MUNICIPAL BOARD WHICH SHOULD BE GIVEN THE ADDITIONAL PERSONNEL AND STAFF TO ENABLE IT TO ASSUME THESE RESPONSIBILITIES AND THE RESPONSIBILITIES WHICH ARE PROPOSED IN OTHER RECOMMENDATIONS.

#### Recommendation 55

LEGISLATIVE DEFINITION. THE MUNICIPAL BOARD WOULD REQUIRE FOR ITS GUIDANCE A LEGISLATIVE DEFINITION OF POLICY FOR THE REORGANIZATION OF MUNICIPALITIES AND THE ENLARGEMENT OF THEIR BOUNDARIES AND FOR THE CONCURRENT AND EVENTUAL COMPLETE REVISION OF SCHOOL DIVISION BOUNDARIES SO AS TO MAKE THEM COTERMINOUS WITH THE MUNICIPAL BOUNDARIES. A MINIMUM MUNICIPAL ASSESSMENT OF \$5 MILLION, AN AREA OF 12 TOWNSHIPS AND A POPULATION OF 3,500 ARE SUGGESTED AS SUITABLE MINIMUM OBJECTIVES.

#### Recommendation 56

PROCEDURE. THE PROCEDURE RECOMMENDED FOR THE BOARD IN CARRYING OUT THESE FUNCTIONS IS AS FOLLOWS:

- (a) UPON THE APPLICATION OF ANY MUNICIPALITY AUTHORIZED BY BY-LAW OF THE COUNCIL, OR UPON THE APPLICATION OF THE MINISTER OF MUNICIPAL AFFAIRS, OR UPON THE APPLICATION OF AT LEAST 25 ELECTORS, OR UPON THE APPLICATION OF THE METROPOLITAN CORPORATION OF GREATER WINNIPEG WITH RESPECT TO ITS OWN BOUNDARIES AND AUTHORIZED BY ITS OWN BY-LAW, THE MUNICIPAL BOARD MAY;

- (i) AMALGAMATE THE MUNICIPALITY WITH ANY OTHER MUNICIPALITY OR MUNICIPALITIES,
- (ii) ANNEX THE WHOLE OR ANY PART OR PARTS OF THE MUNICIPALITY TO ANY OTHER MUNICIPALITY OR MUNICIPALITIES,
- (iii) ANNEX THE WHOLE OR ANY PART OR PARTS OF ANY OTHER MUNICIPALITY OR MUNICIPALITIES TO THE MUNICIPALITY, OR
- (iv) ANNEX ANY LOCALITY THAT DOES NOT FORM PART OF ANY MUNICIPALITY TO THE MUNICIPALITY,

AND MAY AMALGAMATE OR ANNEX A GREATER OR SMALLER AREA THAN SPECIFIED IN THE APPLICATION;

- (b) THE MUNICIPAL BOARD MAY REQUIRE THE ASSENT OF THE RESIDENT ELECTORS OF THE MUNICIPALITY CONCERNED IN ANY APPLICATION;
- (c) THE MUNICIPAL BOARD SHALL HOLD A PUBLIC HEARING, AFTER NOTICE, FOR THE PURPOSE OF ENQUIRING INTO THE MERITS OF THE APPLICATION AND OF HEARING ANY OBJECTIONS THAT ANY PERSON MAY WISH TO BRING TO THE ATTENTION OF THE BOARD; AND
- (d) NO ORDER SHALL BE MADE BY THE BOARD UNTIL THE EXPIRATION OF A PERIOD SUFFICIENT TO PERMIT AN APPEAL TO THE EXECUTIVE COUNCIL BY ANY AFFECTED PARTY WHICH MAY EITHER CONFIRM THE DECISION OR REFER IT BACK TO THE MUNICIPAL BOARD.

#### Recommendation 57

OTHER BOUNDARY CHANGES. OTHER BOUNDARY CHANGES WHICH REQUIRE ATTENTION AND SHOULD BE BROUGHT WITHIN THE JURISDICTION OF THE BOARD ARE:

- (a) THE ELIMINATION OF OVERLAPPING BOUNDARIES BETWEEN MUNICIPALITIES AND FEDERAL AND PROVINCIAL PARKS AND FOREST RESERVES; AND
- (b) THE ANNEXATION TO RURAL OR OTHER MUNICIPALITIES OF ADJOINING UNORGANIZED TERRITORY OR TERRITORY IN LOCAL GOVERNMENT DISTRICTS.

#### Recommendation 58

REORGANIZATION OFFICER. WE RECOMMEND THE ASSIGNMENT TO AN OFFICER OF THE DEPARTMENT OF MUNICIPAL AFFAIRS OF THE FULL-TIME DUTY OF INVESTIGATING AND REPORTING TO RURAL MUNICIPALITIES CONCERNED AND TO THE MINISTER OF MUNICIPAL AFFAIRS ON DESIRABLE BOUNDARY CHANGES BY ANNEXATION OR AMALGAMATION, WITH A VIEW TO ASSISTING IN THE PROCESS OF REORGANIZATION. HE SHOULD WORK UNDER THE DIRECTION OF THE MINISTER AND HIS SERVICES SHOULD BE MADE AVAILABLE ON REQUEST TO ANY MUNICIPAL COUNCIL OR GROUP OF NOT LESS THAN 25 ELECTORS.

#### Recommendation 59

TERM OF OFFICE. THE TERM OF OFFICE FOR COUNCILLORS AND TRUSTEES SHOULD BE TWO YEARS. AN UNOBJECTIONABLE EXCEPTION IS THE PRESENT THREE-YEAR TERM FOR SCHOOL DISTRICTS IN WHICH ELECTION TAKES PLACE AT PUBLIC MEETINGS.

#### Recommendation 60

BIENNIAL ELECTIONS. ELECTION TO OFFICE OF COUNCILLORS AND SCHOOL TRUSTEES SHOULD BE HELD EVERY SECOND YEAR AT THE SAME TIME AS THE ELECTION OF HEADS OF COUNCIL, THEREBY ELIMINATING 'OFF YEAR' ELECTIONS.

Recommendation 61

TAKING OFFICE. NEWLY-ELECTED MEMBERS OF COUNCILS AND SCHOOL BOARDS SHOULD TAKE OFFICE AT THE BEGINNING OF THE MONTH FOLLOWING THEIR ELECTION.

Recommendation 62

WARD SYSTEM. THE PRESENT WARD SYSTEM FOR ELECTION OF COUNCILLORS AND TRUSTEES SHOULD BE CONTINUED.

Recommendation 63

VOTERS LISTS. VOTERS LISTS SHOULD BE PREPARED AT LEAST EVERY TWO YEARS.

Recommendation 64

MUNICIPAL BOARDS AND COMMISSIONS. MUNICIPAL COUNCILS SHOULD HAVE POWER WITHOUT REFERENCE TO RATEPAYERS TO APPOINT AND DISSOLVE BOARDS AND COMMISSIONS SUCH AS PARKS BOARDS AND RECREATION COMMISSIONS.

Recommendation 65

BORROWING BY-LAWS. BORROWING BY-LAWS FOR CONTRACTING A DEBT NOT REPAYABLE WITHIN ONE YEAR, WHICH HAVE BEEN APPROVED BY THE MAJORITY OF THE WHOLE COUNCIL OR SCHOOL BOARD, AND OF WHICH PUBLIC NOTICE HAS BEEN GIVEN AFTER THE FIRST READING, SHOULD REQUIRE THE APPROVAL OF THE MUNICIPAL BOARD ONLY. IF THE AMOUNT OF THE DEBENTURE DEBT IN THE BY-LAW EXCEEDS A SPECIFIED STATUTORY MAXIMUM, THE BOARD SHOULD HOLD A PUBLIC HEARING BEFORE GIVING APPROVAL. IN EVERY CASE THE BOARD SHOULD HAVE THE POWER TO ORDER A VOTE ON THE BY-LAW BY THE RESIDENT RATEPAYERS.

Recommendation 66

TAX CANCELLATION. THE EXISTING POWERS OF TAX CANCELLATION BY MUNICIPAL COUNCILS SHOULD BE CONTINUED.

Recommendation 67

FISCAL YEAR. IT WOULD BE DESIRABLE FOR ACCOUNTING AND STATISTICAL PURPOSES TO HAVE A UNIFORM FISCAL YEAR FOR ALL LEVELS OF GOVERNMENT, BUT THE GOAL SEEMS TO BE TOO REMOTE TO BE RECOMMENDED.

Recommendation 68

MUNICIPAL ACT. THE MUNICIPAL ACT SHOULD BE THOROUGHLY REVISED. FREQUENT CONSOLIDATIONS ARE ALSO DESIRABLE. CONSIDERATION SHOULD BE GIVEN TO THE REPEAL OF SEPARATE CITY CHARTERS AND THE INCORPORATION IN THE MUNICIPAL ACT OF PROVISIONS APPLICABLE UNIFORMLY TO ALL CITIES.



Recommendation 69

STREETS. STREETS SHOULD BE DIVIDED INTO THREE CATEGORIES:

- (a) LOCAL STREETS, THE RESPONSIBILITY OF THE MUNICIPALITIES;
- (b) METRO STREETS, THE RESPONSIBILITY SHARED EQUALLY BY THE METROPOLITAN CORPORATION AND THE PROVINCE; AND
- (c) PROVINCIAL TRUNK HIGHWAYS, TO A POINT INSIDE THE METRO BOUNDARY TO BE AGREED UPON, THE RESPONSIBILITY OF THE PROVINCE.

COSTS WOULD INCLUDE CONSTRUCTION AND MAINTENANCE EXPENDITURES.

Recommendation 70

HOSPITALS. A HOSPITAL DISTRICT BOARD FOR THE METROPOLITAN AREA SHOULD BE ESTABLISHED TO WORK WITH THE PROVINCE, ASSISTING IN ADMINISTRATIVE MATTERS SUCH AS HOSPITAL LOCATION AND COORDINATION OF PLANS FOR NEW AND IMPROVED HOSPITALS. MEMBERSHIP WOULD CONSIST OF REPRESENTATION FROM THE BOARDS OF EACH HOSPITAL, METRO COUNCIL AND CITIZENS NOMINATED BY THE PROVINCE.

Recommendation 71

TAXES. WE RECOMMEND NO NEW TAX AS AN ADDITIONAL SOURCE OF REVENUE FOR THE METROPOLITAN CORPORATION AT THIS TIME.

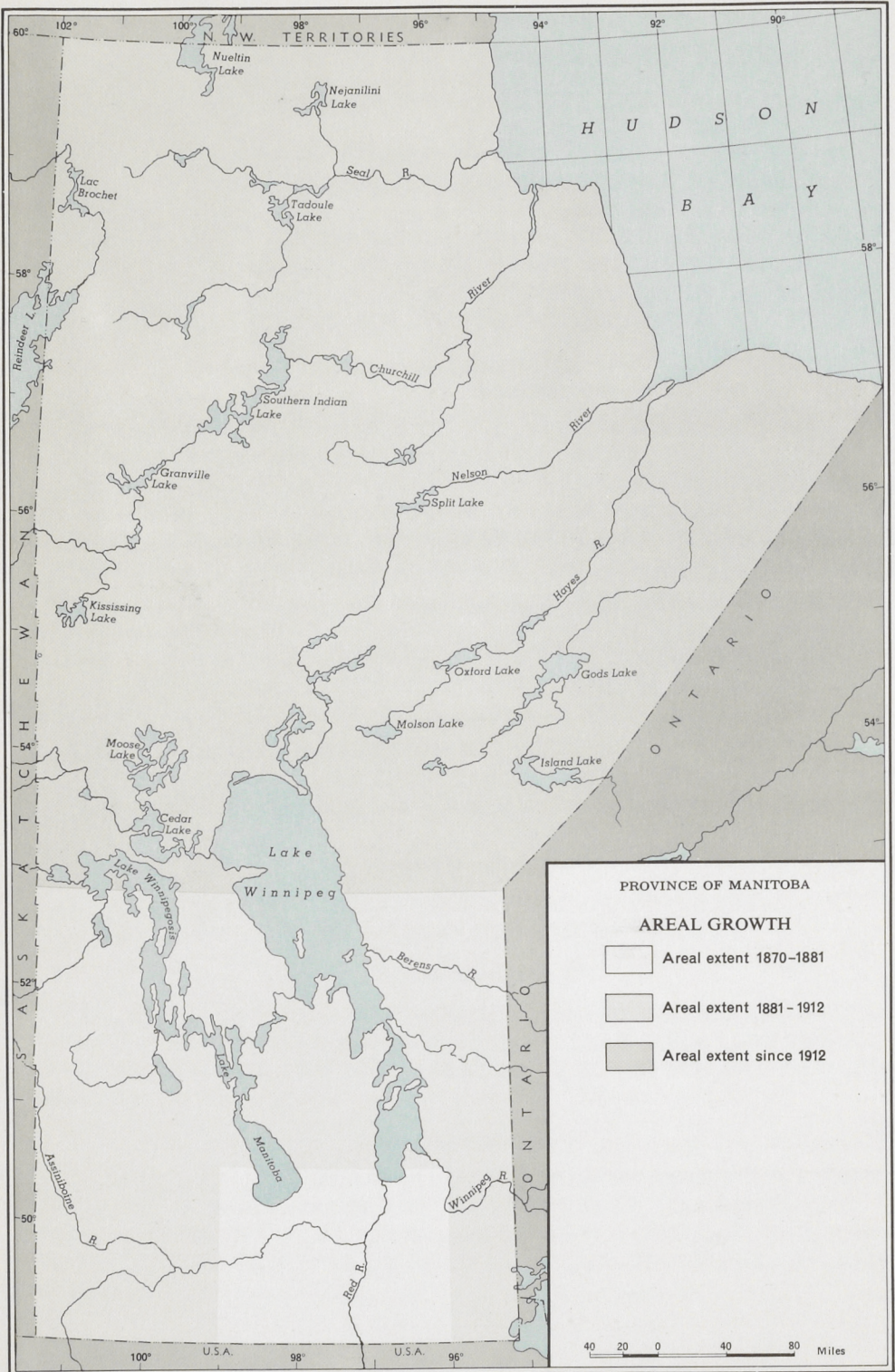
Recommendation 72

BOUNDARY CHANGES. PROCEDURE FOR MUNICIPAL BOUNDARY CHANGES IN THE PROVINCE AS PROPOSED IN CHAPTER IX PART A SHOULD APPLY TO THE BOUNDARIES OF THE AREA MUNICIPALITIES AND METRO ITSELF.











## CHAPTER I

### ECONOMIC AND SOCIAL FACTORS IN MANITOBA

#### Introduction

As the Province of Manitoba and the Canadian Federation are both approaching their 100th anniversaries, it is appropriate to take stock of the past, to look ahead and plan in a conscious way for the future.

The Province of Manitoba like other progressive human societies is the product of its people and their environment. An understanding of both is a necessary background to an examination of public services of the Province at the local level and their fitness to carry out their duties. We propose, therefore, to begin with a brief review of the demographic and economic characteristics of the province. Fortunately, an excellent description of the people and settlement of the province and of its physical characteristics and resources has recently been completed by the Department of Industry and Commerce and published in 1960 under the name "The Economic Atlas of Manitoba". There one will find a description of the native peoples, the details of the settlement of the province, the principal ethnic groups which comprise the population and the distribution of people in rural and urban communities. For our purposes a few highlights will be sufficient.

#### Physical and Demographic Characteristics

The physical characteristics of the Province of Manitoba follow the common pattern of a southern fringe of arable land, in which the great majority of the people live, attached to a vast northern pre-Cambrian and sub-Arctic land of rock, forest and water, with a great latent productive capacity based on water power and mineral wealth. These features are generally known and appreciated.

The varied ethnic composition of the population is a striking characteristic of the province. Four major ethnic groups produce a diversity, which contrasts sharply with the uniformity of some of the older provinces, particularly in the rural areas. The four main groups that make up Manitoba are as follows:

British Isles	396,445	43.0%
Ukrainian	105,372	11.4
German	91,846	10.0
French	83,936	9.1

There are in addition other important minorities, not to overlook the Indians and Eskimos, who number 29,427, and the Metis, descendants of Indians and the early immigrants.

The distribution of the population is unique among Canadian provinces in that more than half of the people reside in one metropolitan area of Greater Winnipeg. The remainder is distributed in rural and small urban communities of which all but three have less than 10,000 inhabitants. The preponderance of the metropolitan centre is accentuated by the fact that all but a very small per-

centage of the population living south of the 53rd Parallel are located in the compact southern arable region, an area which is not more than 250 miles in extent in either direction and the farthest part of which is within five or six hours of driving time from Winnipeg. From the point of view of local government in Manitoba, one large community has as many inhabitants as the 177 organized municipalities which surround it. Such a disparity in size has its consequence in administrative problems even of local government. It also has its effect on the provincial administration which has its administrative headquarters in the Metropolitan centre where half of its human responsibilities are concentrated.

From 1951 to 1961 Manitoba's total population increased by 18.7 per cent from 776,541 to 921,686, but the rural population declined by 4.3 per cent from 336,961 to 322,602 while the urban population increased 36.3 per cent from 439,580 to 599,084. During the same period, the population in the 0 to 19 age group increased by 91,012, which is an increase of 32.5 per cent, and the population in the 65 and over age group increased by 17,820, which is an increase of 27.2 per cent. The first explains in part the increased costs for education and the second has a bearing on the increased costs of welfare.

#### Economic and Social Characteristics

Your Commission has not found it necessary to undertake any detailed analysis of the economy because an intensive study was published last year by the Committee on Manitoba's Economic Future. The most striking feature of the economy is not, as one might expect, its agricultural production but its diversity. This diversity is illustrated by a comparison of the value of the output of the principal industries as estimated for 1963 in the Manitoba Budget and Economic Review recently presented to the Legislature:

Manufacturing	\$885 million
Construction	420 million
Agriculture	340 million
Other Resources (Mines, Forest Products, Furs and Fisheries)	<u>202 million</u>
Total	\$1,847 million

The total production from agriculture and other primary sources is less than one-third of the total. Manitoba has become an industrial society. Diversification of productive effort, automation and mechanization play an important part in the growth of an affluent society in which the state is expected to provide a variety of public services such as good public school education for all and a high standard of medical, hospital and general health services. Increasing industrialization and the growth of urban centres has resulted in shifts of population not only from the farms but from some of the smaller urban communities to centres in which industry is located. As the province moves from what was mainly an agricultural economy to a more complex industrial economy new problems arise such as urban sprawl, ribbon development, town planning, zoning and so on.

The pattern of rural life is also changing rapidly. In 1951 farms of a section or more represented only 12.5 per cent of all farms but in 1961 they

represented 19.7 per cent. The average investment in farms was \$26,650 per farm in 1961 as against \$17,500 only ten years earlier. The farmer engaged in cereal grain production often lives in a nearby urban centre where better services are available.

In the period from 1870 to the present we have advanced in transportation from the canoe, the horse, the ox and the red river cart to the motor vehicle and jet propulsion. In communications we have progressed from a time-consuming journey to see and talk to our neighbours and from a local weekly news sheet to facilities at our elbow to talk to the ends of the world and to see, in our homes, places and peoples which heretofore we had never heard of or seen. Because of developments in transportation and communications, improved highways, the motor vehicle, the aeroplane, the telephone, radio and television, distance is now no longer a factor as it was when our local government organization was originally established. People are now mobile and the concept of what is 'local' has materially changed.

### Conclusions

The changes that are taking place in the social and economic life of the province are of the greatest significance. From them one has to attempt to forecast the pattern and needs of the future. The problems your Commission } were instructed to consider are not limited to the Province of Manitoba. Evidence of difficulties in local government has appeared in all parts of Canada.

In the earlier days in this province, government was mainly concerned with responsibility for providing protection for persons and property and the provision of physical facilities such as highways and drainage. In modern days the public demands security, health and welfare services and is evidently prepared to pay a high price for them both in taxes and in encroachments on individual freedoms. Because government is now dealing with people as well as with material things, administration has become more complicated and technical. As government moved from the sphere of providing personal protection and physical facilities to the social fields of security, health and welfare, it became necessary at the provincial level to decentralize administration, with the result that there have grown up numerous services and areas of administration. Little effort has been made to co-ordinate these provincial services with the existing services of local government.

NOTE | With the exception of the establishment of school divisions and the creation of Metropolitan Winnipeg, the pattern of local government in Manitoba has not altered materially since 1886. In 1961 the uncontrollable expenses of all municipalities in Manitoba were approximately 56 per cent of their total expenses, and of this 56 per cent, schools accounted for 39.5 per cent. As a result, municipalities have available less and less of their tax dollar for providing the improvements in local services which are demanded by citizens. On the basis of the existing organization of local government, the wide variations in area, population, assessment, per capita expenditure and mill rates make it difficult for municipalities to provide equality of services with any reasonable equalization of the burden of costs. As a result, there has been a tendency to share the costs and responsibilities between the Province and the municipalities.

NB

Because of this sharing of costs and responsibilities and the system of conditional grants-in-aid, local governments have ceased to be masters in their own houses. They tend to be mere agencies of the Provincial Government. This confusion of function and trend towards centralization is not good for the province, the municipalities, nor for the citizens of Manitoba.



## CHAPTER II

## LOCAL ADMINISTRATIONS

PART A - LOCAL GOVERNMENT ADMINISTRATIONOrigins and Development

The structure of local government as it has developed in Manitoba owes little to the institutions that existed prior to the creation of the Province on 15 July, 1870. The first permanent settlement of 1812 was sponsored by Thomas Douglas, fifth Earl of Selkirk, and the Governor and Council that presided over the settlement derived their authority from the charter of the Hudson Bay Company granted by Charles II in 1670. The Council of Assiniboia continued to be the legal government until confederation but its authority was interrupted in 1869 by the Provisional Government organized by Louis Riel. The Council was nominated, not elected, and resembled subsequent municipal organizations only in function. Most of its ordinances dealt with such matters as fire protection, stray animals, hay privileges on the commons and essential public works. Its revenue, which was small (£ 50 in 1848), came from an import duty, levied and collected by the Hudson's Bay Company, on goods coming into the settlement.

## Municipal Government

The first attempts at a form of municipal organization began shortly after the creation of the Province and were based on the existing boundaries of parishes whose residents, by The Parish Assessment Act of 1871, were permitted to tax themselves for certain local public works. In 1873 an Act of the Legislature authorized the incorporation of a municipality whenever two-thirds of the male householders so petitioned, provided there were more than thirty in the area, and Sunnyside-Springfield, St. James, Rockwood, Portage la Prairie and Westbourne organized under this legislation. Winnipeg was incorporated under a special charter in the same year.

For some years after 1873 the Provincial Government experimented with different forms of municipal organization in an attempt to find the one best suited to the new province with its sparse population and lack of roads. As the early settlers came largely from Ontario, it was logical that they should try the county system in Manitoba. Legislation was introduced in 1883 which provided for the creation of twenty-six counties, each composed of from five to seven municipalities with central authority and power to levy for a county court house, registry office and certain inter-municipal matters such as drainage. The county system failed wherever it was tried because the financial resources of the new municipalities were inadequate and the distances too great. Manitoba also experimented briefly with judicial district boards composed of the mayors or reeves of each corporation within a defined boundary. At first the district boards had authority to levy only for court houses and jails but in 1885 their power was extended to cover some other inter-municipal matters. The regional board system, like the county plan, floundered and in 1886 a special committee of the Legislature was struck to try to find a workable system of municipal organization. The committee recommended the discharge of inter-municipal functions through an officer of the Provincial Government to be known as the

Municipal Commissioner and the office was created later that year with authority to raise all or part of the necessary money by a levy.

The pattern of municipal organization established in 1886 has continued to develop. Rural municipalities became self-contained corporations but provision was made for the formation of towns, villages and local improvement districts within their boundaries. The Municipal Commissioner's levy was used until 1952 to cover part of the cost of administration of justice but never became primarily an instrument for the discharge of other inter-municipal functions. In the last year of its operation it was used to raise money for soldiers' taxation relief, sanatoria, cancer research and the Institute for the Blind.

### School Government

Just as the first legislation relating to municipal matters was passed in 1871, so it was with educational matters. This first statute dealing with education in the province constituted each of the then existing parishes as a school district. The Act provided for a central Board of Education with two sections of equal powers, the one Protestant and the other Roman Catholic. Legislative grants before 1875 were divided equally between the two sections and after that in proportion to the number of children of school age in each group. The School Act of 1890 swept away the church-dominated system and put in its place a system that was public, non-sectarian and supported by taxes on real property. The system established in 1890 was modified in 1897 to permit religious exercises under certain conditions and to make the employment of a Roman Catholic or Protestant teacher mandatory if requested by a stated number of residents. The compromise of 1897 also made possible instruction in languages other than English but this privilege was withdrawn in 1916 when school attendance was made compulsory.

One characteristic of the organization and administration of educational services in Manitoba is particularly important. Public schools have been considered a local responsibility and local residents have been empowered to organize in corporate units to provide them but these school corporations have been separate and distinct from municipal corporations. The latter have been the tax gathering agency for the school board but with no control whatever over how much was to be raised or how it was to be spent. In effect there were two distinct systems of local government. In adopting this system Manitoba followed the general Canadian and North American pattern which contrasts with the British and European pattern within which school finance and administration have usually been dealt with by committees of the municipal or county council.

The only major change in the organization and administration of public schools in Manitoba since 1890 occurred in 1959 when the Legislature, acting on the recommendation of The Royal Commission on Education, removed secondary schools from the jurisdiction of a multitude of local boards and placed them under a much smaller number of division boards. There are now forty-six division boards in the Province, including the Dauphin-Ochre School Area Board.

### The Value of Local Government - Theory and Practice

It is commonly assumed that local government in the form of city, town, village and rural councils or school boards has inherent worth as an indispensable part of or foundation for the democratic system. Many historians, politicians and other public figures have paid tribute to this kind of local

administration as a bulwark against tyranny and bureaucracy, as a means of achieving widespread citizen participation in public affairs, as a part of adult education in social responsibility and as a training ground for future parliamentarians. While it is undoubtedly true that local government has contributed much to the Western political tradition, and, therefore, is entitled to respect, the Commission has attempted to approach the question of its present value and future role in Manitoba with an open mind. To pay mere lip service to a conventional point of view might in the long run be a disservice to the democratic principle. This principle is now widely understood and practised in the operation of a multitude of organizations, incorporated and unincorporated, official and private, local and national which have objectives covering the whole range of economic, social and charitable activities. (John F. Graham), of Dalhousie University, who has been studying the question in Nova Scotia, puts it this way, "The generalization that a large amount of local government is necessary for a healthy democracy is frequently repeated without being convincingly demonstrated. It is often regarded, without sufficient justification, as being a maxim and when so regarded it stultifies thought. The truth or falsity of the contention is not a matter of unvarying law but is an empirical matter. Even if it were proven to be valid for any particular place and time, it does not follow that it would also be valid for other places or times." <sup>1</sup>

We have asked ourselves, as our terms of reference enjoin us to do, what role local government should play in a society where communications are fast and distance is no longer a physical barrier to larger administrative units or wider social and economic interests. We have considered the effect of modern methods of communication and travel on the sense of locality and community that was the strength of local self-government, and the effect of urbanization which has proceeded so rapidly in the past few decades. The influence of increased public demand for education, welfare services and public health facilities, all of which have become increasingly the concern of provincial and federal authorities, have been taken into account. To quote Professor Graham again:

"Some services, like education, health, and social welfare, once mainly of local concern, are now of general provincial or even national concern. It is therefore desirable that citizens should transfer some of their interest in these matters from the local to the provincial sphere. At the same time, provincial administration can be decentralized in a small province ... to permit local participation in decision-making. It is not a bad thing for democracy if people come to consider what were once regarded as local matters in a broader context and become less parochial in the process; and not a good thing if their attention is focused unduly on local matters that are often relatively trivial in nature." <sup>2</sup>

The effect on local government of these and other changes raises the question of whether local government will continue to be useful and necessary in the future, or may eventually give way to decentralized provincial administration. The New Brunswick Royal Commission on Finance and Municipal Taxation (the

<sup>1</sup> John F. Graham, Fiscal Adjustment and Economic Development: A Case Study of Nova Scotia, University of Toronto Press, p. 258.

<sup>2</sup> Ibid. p. 259.

Byrne Commission which reported in February, 1964) recommends a movement in this direction by abolishing counties, reducing municipal services to a minimum and establishing four major commissions under provincial control to administer municipal affairs, health, social services and education. Although local government as we know it traditionally seems to be a basic institution in our society, there is nothing sacrosanct about this form of administration. Like all forms of government it must constantly justify itself by its usefulness and its adaptability to changing times and manners. Legally all local corporations are creations of provincial legislation and the Provincial Legislature has complete power to abolish as well as to change them.

There is no doubt of the need and desire for reform. The evidence submitted to us and our own investigations point to these conclusions: there is still a strong feeling in Manitoba that local municipal government is vital and necessary and should be preserved; there is also a feeling that the Province should increase its role by taking financial and administrative responsibility for the more general services of health, welfare and education; municipalities and school boards are both in need of structural reform and boundary revision; and financial adjustments between the Province and the local units of government are urgently needed.

*4 main  
general  
conclusions*

We agree that the municipal corporation is still needed and that the elected councillor and school trustee should continue to play a vital role in our system of government, but we agree also that municipal responsibilities must be redefined, municipalities and school districts reorganized, extensive financial readjustments made, and that, in general, the Provincial Government and its agencies should take over much of the burden of local administration as well as the lead in providing such new services as may be required.

We have all witnessed in the last few decades a change in the philosophy of government and the nature and extent of the services which it is expected to provide. Most of these new services are beyond the competence and resources of local authorities, with the exception only of the largest cities. Take education as an example. In 1916 public school attendance became compulsory in Manitoba, in response to a general acceptance of the view that all children should have the opportunity of education. More recently there has been an insistence on equality of opportunity within the system and equality of contribution in paying for it. People were no longer satisfied to leave the quality of education to be settled by the local board but looked to increased provincial regulation to assure them of uniformly higher standards.

The present and future role of school division boards and district school boards in providing educational services is discussed in detail in Chapter V. It may be noted here that elected school boards, although they still have an important role in reflecting local opinion and particularly the opinion of parents of school children, are, and have been for some time, little more than agents for the administration of provincial policies. This is not to say that a division or district board, acting in part as a form of decentralized provincial administration, is no longer useful or necessary and would not be preferable to a centralized bureaucracy operating from departmental headquarters. Local boards have the capacity to interpret impersonal general laws and regulations, transmitting them into human terms, and this is an honourable and significant

*democ?*



function. Division boards should be more than agents of the Province in that they will still have the power to tax for a significant if lesser part of the necessary revenue. Also, both division and district boards should continue to exercise independent judgments in such matters as teacher selection, religious instruction and maintenance and use of buildings, furniture and equipment. In short, while recognizing that the Province should take a greater share of the financial burden for education it seems desirable to make this consistent with a level of local activity that will make it possible for residents to speak with pride of 'our school'.

Similarly, the provision of many health and welfare services is now claimed as a right, by everyone, regardless of circumstances. The individual or family in need of food, clothing or shelter is entitled to fall back on the group for these necessities of life, but the group has become provincial or national rather than local. This change in the generality of both health and welfare services has profound consequences for municipal administration. It is true that local knowledge may still be used to advantage even when the Provincial Government assumes all or most of the financial responsibility for such service. It is also true that hospitals, like schools, are a source of community pride and the management by a local board enhances that pride, but such local management as persists in these services must conform to over-all planning for the province as a whole.

The provincial departments have become deeply involved with municipal governments in administering social welfare and health services and in the building of roads and bridges. The extent of this involvement is shown later in the chapter. The resulting confusion of function and responsibility perplexes both the civil servant and those who are served. What is needed is a clear-cut separation between local and provincial responsibilities so that local councils may know the exact extent of their functions and obtain the appropriate taxing powers to carry them out. Such a demarcation of responsibility and division of revenue would do much to restore the independence and vitality of municipal government. It would also strengthen provincial departments in their administration, by giving them direct control of what they must now try to achieve with municipal assistance. Voters in municipal and provincial elections would be better informed and consequently more interested. They would know where to place the blame for an unsatisfactory service and the praise for a policy well conceived and efficiently executed. They would be better able to relate the taxes paid to each level of government to the services rendered. If a citizen has a legitimate complaint about the rate of tax levied on his real property, he should be able to make it on election day. In the present confusion of inter-governmental responsibility, the voter, although dissatisfied, tends to be apathetic as has been demonstrated by the poor turn-out of voters to elect councillors and trustees, and the numerous acclamations.

### Present Status of Local Government

#### Constitutional

Section 92 of the British North America Act, 1867 sets forth provincial legislative powers in general. Several clauses of this section bear on the creation of local governments and their endowment with taxing powers. These clauses are as follows:

- "(2) Direct Taxation within the Province in order to the raising of a Revenue for Provincial Purposes.

....

- (7) The Establishment, Maintenance and Management of Hospitals, Asylums, Charities, and Eleemosynary Institutions in and for the Province, other than Marine Hospitals.
- (8) Municipal Institutions in the Province.
- (9) Shop, Saloon, Tavern, Auctioneer, and other Licences in order to the raising of a Revenue for Provincial, Local or Municipal Purposes.

....

- (16) Generally all Matters of a merely local or private Nature in the Province."

Manitoba has followed the normal Canadian procedure of creating local corporations with specified powers in the three general areas of municipal, education and health services.

#### Municipalities

All forms of local government are constituted by an Act or Acts of the Provincial Legislature. The Municipal Act is the constitution applicable to rural and suburban municipalities, villages, towns and most cities. Winnipeg and St. Boniface each have full and separate statutory charters, while Brandon, East Kildonan, Portage la Prairie, St. James, St. Vital, Transcona and West Kildonan are governed in part by special charters and in part by provisions of The Municipal Act. The Municipal Act sets forth in detail the organization, powers and duties of corporations that come under it. All municipal corporations are under the general supervision of the Minister of Municipal Affairs. In broad terms the Minister exercises, or may exercise, direct jurisdiction over current operating expenditures, tax cancellations, reserve funds, highway by-laws, and auditing. All municipal corporations, except the City of Winnipeg, must obtain approval from the Municipal Board for long-term borrowing and the creation of debt, and the division of assets and liabilities arising from changes in municipal status or boundaries. The Municipal Board may also serve as an Appeal Court on questions of assessment and planning.

There are six varieties or types of municipal corporations that are currently recognized in Manitoba. They are the Metropolitan Corporation of Greater Winnipeg, cities, suburban municipalities, towns, villages and rural municipalities. The various classes of municipal administrative units are distinguished from each other by area, population, locality and in some instances taxable assessment. In spite of the number of classes of municipalities, there is also a great deal of diversity among the municipalities within a class. This diversity is perhaps best shown in Table 1, which compares municipal per capita assessments for 1956 and 1962.

Table 1. - Per Capita Actual Assessment by Class of Municipality 1956 and 1962

Class of Municipality	Number of Municipalities 1962	Population 1956	Average Population 1956	Assessment Per Capita 1956	Population 1961	Average Population 1961	Assessment Per Capita 1962	High Assessment Per Capita 1962	Low Assessment Per Capita 1962	Increase Per Capita	Increase Assuming Constant Population 1956
Rural Municipalities	106	245,040	2,312	970	234,322	2,211	1,263	3,030	255	293	238
Villages	36	20,016	572	734	21,131	587	870	1,513	333	136	185
Towns	35	75,559	2,159	737	84,453	2,413	1,043	1,416	681	306	429
Suburbans	5	27,669	5,534	1,108	40,374	8,075	1,499	4,548	967	391	1,079
Cities	9	411,725	45,747	1,194	466,459	51,829	1,614	1,891	1,016	420	635
								Tuxedo	N. Kildonan		
								Beausejour	Rapid City		
								Lac du Bonnet	Garson		
								Macdonald	St. Laurent		
								St. James	Portage la Prairie		

1 The highest per capita assessments for Rural Municipalities, Villages and Towns were: Victoria Beach, \$3,206; Dunnottar, \$5,751; and Winnipeg Beach, \$2,464, respectively. However, each of these municipalities are beach resorts with high summertime populations that are not taken into account in calculation of the averages. In such cases the next highest per capita assessments were taken, since these would be truly comparable with the balance of the municipalities in each category.

2 The increase in assessment per capita assuming constant 1956 population was calculated to provide a measure of the actual growth in the tax base. Otherwise, we have no indication of the extent to which population change has affected this measure of a municipality's fiscal capacity. For example, almost 20% of the increase in per capita assessment in rural municipalities is due to a fall in farm population. Conversely, in the other municipal categories increasing populations have the effect of understating the increase in assessment. However, this approach has limitations insofar as it ignores the fact that property developments, and therefore assessments, increase as populations grow. No figures are available that show the increase in assessment due to additional property as opposed to increased valuation.

3 Great Falls had the lowest per capita actual assessment (\$17) of the villages in Manitoba, but this is not comparable with other villages because nearly all property in that municipality is owned by the Manitoba Hydro and is not assessed, although very substantial grants in lieu of taxes are paid. In this case, Garson was listed as the village having the next lowest amount.

As at January 1st, 1964, there were in Manitoba in addition to The Metropolitan Corporation of Greater Winnipeg

9 cities  
5 suburban municipalities  
35 towns  
41 villages  
106 rural municipalities

making a total of 197 municipal corporations serving less than one million persons. Outside of Metropolitan Winnipeg there is an average of one municipal government for every 2,500 persons. Inside the Metro area 20 municipal corporations attend to the needs of over half of the population of Manitoba. The Metropolitan Corporation of Greater Winnipeg was incorporated in 1960 (S.M., 1960, c.40) and is charged with the responsibility of providing to the area municipalities water production, sewage disposal, public transit, certain arterial roads, bridges, certain parks, assessment, planning and zoning, civil defence, flood control, and mosquito abatement.

The Municipal Act lays down no specific qualifications for rural or suburban municipalities. However, in the case of suburban municipalities, they are specifically named within the Act. Suburban municipalities are the Rural Municipalities of Assiniboia, Charleswood, Fort Garry, North Kildonan and Old Kildonan and the Town of Tuxedo.

Village status is related to population, area and taxable capacity. The Municipal Act stipulates a minimum population of 500 living in an area of not more than 640 acres, with assessments of at least \$300,000.00. Villages may be created on petition of 100 householders if three-fifths of the ratepayers voting approve. If the population of a village increases to 1,500, the residents may be incorporated as a town, and, after 10,000, as a city, with the provision that areas may expand by 160 acres for each 1,000 inhabitants above the first 2,000.

#### School Boards

The basic administrative units in the public school system of Manitoba are the school districts for elementary education and the school divisions for secondary schools. Both are corporate organizations with an elected board exercising specific powers. Within each type there is considerable variation in organization. Of the 45 divisions, 9 are responsible for both secondary and primary education. The remaining 37 divisions are multi-district divisions which contain anywhere from 3 to 105 school districts. The Dauphin-Ochre School Area also is responsible for both elementary and secondary education and operates under special legislation dating from 1946 when The Public Schools Act was amended to provide for the establishment of larger school areas.

At last count there were 1,554 school districts, of which 259 had closed their schools. Of the total number of school districts 1,424 lie within the larger school division boundaries, 38 are in the Dauphin-Ochre Area, 43 are in regions that voted against the formation of a division, 40 are remote districts, and 9 are special revenue districts such as those at military or hydro installations. Within the divisions there are only six municipal school districts with coterminous boundaries with the municipality. For reasons such as financial inability



or other causes which militate against the proper operation of a school, 148 districts are administered by official trustees appointed by the Department of Education. All but 2 of the 32 Hutterite school districts are operated by official trustees, and there are 5 more of these colony districts being formed. In addition to schools operated by the Province in organized school districts, the Province operates 35 special schools in unorganized territory, comprising 80 classrooms. These schools are not incorporated although they may lie within a division's geographical boundaries.

#### Private Schools

There are no regulations in Manitoba governing the formation of a private school. However, once a school is established, it must comply with Section 19 of The School Attendance Act and submit to the Minister a list containing the name, address and age of every pupil who has not attended regularly. Section 5 of this same Act allows the private school to request an inquiry into teacher qualifications and school standards, and a report of this inspection is filed with the school inspector and the school attendance officer. Almost all private schools in the province use this service.

School attendance is also used as a basis for exemption from taxation of the school property. In order to qualify for exemption, the school's attendance must be submitted to the School Attendance Branch.

In the 1962-63 school year, there were 57 private schools in the Province comprising 8,800 elementary school pupils and 2,487 secondary school pupils.

#### Hospital Districts and Local Health Units

Local health services have been traditionally under municipal councils, but in recent years boards appointed by municipal councils and the Minister of Health as a new and distinct form of local government have been used extensively to administer hospitals and local health units. There are at present 44 hospital districts in the province, each of which is administered by a local board operating under The Health Services Act. If a district has more than one municipal hospital, local administrative committees are usually set up for each. The boards are composed of two representatives from each included municipality, one being a member of the council and the other an appointee of the council. The local administrative committee comprises two members who are members of the district board and other members representative of the area served.

In addition to providing local knowledge and interest in the administration of hospitals the district board is responsible for raising 20 per cent of the capital cost of hospital construction and for making up operational deficits which are not approved for payment by the Manitoba Hospital Commission. Both the capital costs and the deficits are met by a municipal levy on taxpayers in accordance with the agreement made with the municipalities when the hospital district was founded.

There are at present 14 local health units in the province. Each local health unit provides continuing preventive medical services and develops public health programs to meet the needs of the area. The local health unit has an appointed board composed largely of local people and a medical director who is responsible to the board. Approximately one-third of the administrative cost of the local health unit is paid for locally.

### Other Forms of Local Administration

Four other forms of local administration are provided for in The Municipal Act: unincorporated village districts, ratepayers' committees, parks and other boards, and local government districts.

An unincorporated village district may exist where, in a rural municipality, there is an area of not more than 640 acres of land which has been subdivided into lots for residential purposes and contains a minimum population of 150 persons. A ratepayers' committee is similar in structure and function to an unincorporated village but it only has to serve a population of 50. For both the unincorporated village district and the ratepayers' committee, a small committee is elected at a public meeting. On the recommendation of the committee the rural municipal council may exempt the area from certain general municipal levies, putting in their place a special rate, "for the purpose of building, widening, making, opening, altering and repairing highways, bridges, sidewalks, sewers, drains, or street lighting and for fire, police and sanitary protection within the subdivided area." (s.640).

The Municipal Act also makes provision for public boards to administer parks, etc., but the legislation is permissive only (except for the City of Winnipeg). Adoption of the provisions of Division II of Part IX of The Municipal Act removes the administration of parks from direct control of council and places it under a board, "... composed of the head of the municipality, the chairman of the committee of finance, the chairman of the committee of works, and six other persons residents of the municipality, but not members of the council, to be appointed by the council." (s.809).

There are 17 local government districts in Manitoba, all of which are under a resident administrator appointed by the Province. These districts are of two types: rural areas that do not have the resources to sustain municipal organization, and mining and industrial townsites in remote areas of the province. The Local Government Districts Act and amendments thereto make provision for an elective local committee of not less than three nor more than seven to advise the resident administrator. Local Government Districts are required to make up a budget each year and to levy the necessary taxes on the residents to meet the costs of administration and public schools. Any district on petition of two-thirds of the resident owners of land may also levy a special rate not exceeding fifteen mills to defray the cost of highways, bridges, drainage, street lighting, community buildings, fire, police and sanitary protection.

## PART B - PROVINCIAL - LOCAL ADMINISTRATION

### Introduction

*decent?* There has been a marked increase in the last few decades of provincial administrative activity outside the capital city. A great many provincial services are now carried on through regional offices or other forms of field organization. The extent to which this process of decentralization has gone is indicated by the fact that in 1962 over 43 per cent of the entire provincial civil service permanent establishment was stationed at points outside Winnipeg, their distribution being as follows:

Cities	1,140
Towns	918
Villages	76
Other	144
Total	2,278

Source: The Manitoba Civil Service Commission

In some cases decentralized provincial services are carried on without a formal relationship to local authorities and would continue to be carried on even if municipalities ceased to exist. In other services municipalities are used as agents to administer a particular activity. Sometimes municipalities can acquire a particular service only if they agree to meet a stated portion of costs. Very often provincial departments create a board or commission for a particular purpose and give it authority to enter into contracts with local authorities, while in other instances municipalities may create a special board to deal with a department. All told the relationship between the Province and local governments has become varied and complex to an extent that can only be fully appreciated by a review of the relevant activities of each of the departments of the Provincial Government.

### Department of Agriculture and Conservation

The agricultural representatives are the key officers of the Department in its work throughout the province. Thirty-five local offices have been established for them in defined areas which vary in size from one to five rural municipalities. The main task of the agricultural representative is to work with the individual farmer and farm groups, offering advice and leadership on the most up-to-date farming practices. Another task, which is increasing in importance, is that of acting as a community leader in rural development. He also has some direct contact with municipalities.

The activities of the home economist parallel those of the agricultural representative but are designed to assist the farm family. The Province is served by twelve home economists, each assigned to a definite area.

Several other services of the Department are carried to the rural people through somewhat indefinite regional divisions. The Extension Services Branch, the Livestock Branch and the Soils and Crop Branch each have, in addition to headquarters at Winnipeg, offices at Brandon and Dauphin, and each has set up a rough division of the province into three areas.

The Manitoba Agricultural Credit Corporation has offices at Winnipeg,

*NOTE* Brandon and Dauphin and, in addition, has divided the province into ten regions and assigned personnel to each. The Manitoba Crop Insurance Corporation is currently using 6 test areas encompassing 41 rural municipalities. The Corporation has full-time supervisors at Birtle, Deloraine, Morris and Argyle and one agent in each rural municipality to sell crop insurance on a commission basis. While the approach is largely to the individual farmer, the program is explained to municipal councils when a new test area is established.

Several of the administrative districts set up by the Department involve cost-sharing arrangements with the municipalities. At present there are 20 weed control districts serving 42 rural municipalities. Under the legislation one or more municipalities may form a control district and employ a supervisor. To encourage the formation of such districts the Province has agreed to pay up to \$1,500 towards the salary of the supervisor, to make grants up to \$500 per district for travel and educational purposes, to pay up to \$350 for special herbicides and to provide other approved weed control chemicals at cost. The Department is also authorized to make grants to municipalities joining together to employ a veterinarian. The maximum grant is \$1,800 per district and at present there is one district operating, made up of the Rural Municipalities of Shellmouth, Boulton and Shell River.

The Department discharges several functions involving a relationship with local authorities through boards or commissions. The problem of land drainage is handled through local boards operating under the central Drainage Board in Winnipeg. At the present time there are 28 drainage maintenance districts operating mainly in the Red and Lower Assiniboine Valleys, the Springfield-Brokenhead-St. Clements area and the eastern slopes of the Riding Mountains. The board of a district consists of one member appointed by the council of each municipality having land within the district and a chairman appointed and paid by the Province. Boards have responsibility for maintenance only and their funds are obtained partly from a levy on participating municipalities and partly from provincial grants paid through the central board. The grants are paid to the districts on the basis of two-thirds of the actual expenditure on foreign water drains (those carrying water originating mainly outside the district) and one-third of the expenditure on local drains. The Province also makes construction grants directly to municipalities either within or outside drainage districts on the basis of 60 per cent of the cost of approved works carrying water, mainly foreign to the area, and 50 per cent of works of local import only. In addition the Department provides drainage engineering services free of cost to any municipality requesting the service.

Provision for establishing Watershed Conservation District Boards was made in 1959 under legislation that envisages extensive and all inclusive water management services. While drainage maintenance boards have a limited jurisdiction, as the name implies, watershed conservation boards would have full authority over all types of water control works such as dams, reservoirs, retention basins, flood control works, land use, and other activities related to water control. No watershed conservation districts have yet been created.

The Water Supply Board was established in 1959 and is responsible for the provision of a reliable supply of water, a storage reservoir or equivalent, a treatment plant, and transmission facilities to the edge of any town or village with which it has an agreement. Distribution systems are the responsibility of



local councils. When installation of a system is being considered the Board makes an offer to the municipal council to deliver water at a certain price which the council may accept after receiving an affirmative vote from the ratepayers. At the present time eight systems are in operation, eight are in planning or construction stages, four are awaiting municipal approval and eight are being considered by the Board.

The Province, through the Department, makes grants to municipalities for grasshopper control and predator control.

Several projects involve participation of both the federal and provincial departments. Under the community pasture project the municipality sets aside land and receives back a fee of one cent per head per day. Most pastures are administered by the Prairie Farm Rehabilitation Administration which is federal. Tree planting and control of Bang's disease are also joint federal-provincial-municipal undertakings.

The Province has signed an agreement with the Federal Government under the Agricultural Rehabilitation and Development Act which may involve very extensive activities of interest to municipalities, although their direct participation will only be occasional.

#### Department of the Attorney-General

The Department of the Attorney-General looks after the administration of justice and for this purpose has divided the province into six judicial districts: Eastern with its centre at Winnipeg, Southern with its centre at Morden, Northern with its centre at Minnedosa, Central with its centre at Portage la Prairie, Western with its centre at Brandon, and Dauphin with its centre at the Town of Dauphin. There are also 63 County Court Districts. Land Titles come under this Department and this activity is administered through eight districts with headquarters at Winnipeg, Morden, Carman, Portage la Prairie, Boissevain, Brandon, Nee pawa and Dauphin.<sup>3</sup>

The Attorney-General's Department has some indirect financial relationship with municipalities. Under both The Highway Traffic Act and The Liquor Control Act all fines resulting from prosecutions by local police are paid to the municipality. Police magistrates, justices of the peace and crown attorneys are usually paid by the Province. In certain cities and towns, where the municipality is required to provide law enforcement, some of the fees and fines go to the local authority.

#### Department of Health

A great many of the Department's services and activities are decentralized and administered in part by local boards, the membership of which is often tied in with the municipal council. Nearly half a million people are served by 14 local health units. The task of the local health unit is to provide continuous preventive medical services and to develop general public health services. Consultant and specialist services are available to each unit through the central offices of the Department and include environmental sanitation, preventive medical services, public health nursing and health education. These services are also available to areas of the province not yet in full local health units. The health

<sup>3</sup> The Commission on Judicial Boundaries has recommended that there be five Judicial Districts and twenty-two County Court Districts.

units are paid for by the Province but one-third of the net administrative cost is recovered from the municipalities which make up the unit. The Province recovers part of its costs through the national health grants program.

At present there are six laboratory and x-ray units <sup>4</sup> with centres at Dauphin, Selkirk, Virden, Neepawa, Portage la Prairie and Birtle-Shoal Lake. Each unit is operated directly by the Department with an advisory board made up of representatives from each of the municipalities included, usually the same as for the local health unit. One-third of the operating cost is chargeable to the municipalities included. The Province recovers part of its costs through the national health grants program.

Administration of the hospital services program has been delegated to the Manitoba Hospital Commission. The plan is financed through premiums, grants from the Province and by federal grants.<sup>5</sup> All municipalities are collecting agents for hospital services premiums and many of them guarantee premium payments for all legal residents thus assuring that indigent cases will be covered.

Municipal hospitals in hospital districts, established under The Health Services Act, are administered by hospital district boards. All hospitals in the province whether municipal, lay voluntary, religious voluntary or private are within the financial jurisdiction of the Manitoba Hospital Commission which does not pay avoidable deficits beyond the approved budget. For construction of new hospitals the owners must find 20 per cent of the total cost. The Commission has established branch offices in Brandon, Dauphin, Portage la Prairie and The Pas.

The Province shares half the cost of certain drugs with municipalities. This applies to drugs for diabetic indigents, penicillin for indigent rheumatic fever patients and certain other expensive drugs for rare diseases. Tuberculosis treatment, mental illness and cancer control research are now entirely provincial responsibilities.

The Northern Health Service, begun in 1959, is also operated by the Province. Both the Province and the Federal Government participate financially in the Child Guidance Clinic operated by the Winnipeg School Division.

The Environmental Sanitation Section of the Department maintains a close contact with municipalities on health problems involved in water treatment and sewage plants. Courses for operators of these plants are provided once a year. The Provincial Sanitary Commission is responsible for the control of surface water pollution throughout the province, except Metropolitan Winnipeg and the additional zone surrounding this area where the Metro council is responsible subject to the supervision of the Minister.

<sup>4</sup> At one time it was provincial policy to set up medical care districts to include a local health unit, a local laboratory and x-ray unit and a municipal doctor. At present there are nine such areas involving approximately 10,000 people. In addition there are a few municipal doctors who are not in medical care districts.

<sup>5</sup> Ottawa contributes to the cost of insured hospital services as follows:

- (a) 25 per cent of the per capita cost of services in Canada; and
  - (b) 25 per cent of the per capita cost in Manitoba times the number of insured persons.
- Federal contributions do not apply to depreciation, interest charges, administration or to mental or T. B. hospitals.

The Manitoba Medical Service, which, of course, is not part of the Department, must be mentioned because of its contracts with municipalities for group coverage of medical expenses. In order to form a municipal group 75 per cent of the residents must be members of M. M. S. The following groups have been established: The Rural Municipalities of Brenda, St. Francois Xavier, Roblin, Blanchard, Daly, Saskatchewan (jointly with the Village of Rapid City) and the Village of Cartwright.

#### Department of Industry and Commerce

The Department has divided the province into seven regions which have been used as a basis for economic surveys, three of which have been completed. There is no formal organization in any of these regions. The Department comes in contact with local councils mainly through its activities in encouraging Community Development Corporations. These corporations may be created under the sponsorship of a local government or as joint stock companies but in either case they usually have a close relationship with local councils. The Province provides no financial grants to Community Development Corporations but it does provide a consulting service and a development fund from which these corporations may borrow.

#### Department of Labour

The Department of Labour has established two regional offices for district inspectors at Brandon and The Pas. The Pas office covers all the northern mining towns, the Brandon office the south-west section and the remaining area is serviced from Winnipeg. The Department administers several statutes which bring it into contact with municipalities; some of these acts are The Construction Safety Act, The Electricians License Act and The Public Buildings Act. In general these statutes give the Province the right to require action of a municipality where an element of public safety is involved or, in some cases, to allow or instruct municipalities to act as agents of provincial control through a licensing power or through local by-laws, to go beyond what is prescribed by the Province. Some sections of The Fire Prevention Act have a bearing on provincial-municipal relations. The Act provides that the chief of the municipal fire department and the secretary-treasurers of the municipalities where there are no fire departments shall be assistants to the Fire Commissioner appointed by the Department of Labour. They are required to report the cause or origin of each fire in their district. The Act also places a limitation on the authority of municipal fire chiefs (or other officials) to order termination of occupancy of a building deemed a fire hazard, or to close a building in the interests of public safety. Municipal officials can take such action only on the written authorization of the Fire Commissioner.

#### Department of Mines and Natural Resources

In 1961 the Department divided the province into eight administrative regions and sub-divided each of the regions into Conservation Officer Districts. Four of the regions have their headquarters in Winnipeg and the others are located at Rennie, Virden, Dauphin, and The Pas.

The Department administers provincial Crown land and this brings it into frequent contact with local government. In many instances the Department rents Crown land for hay and grazing purposes and when it does so one-third of the

permit fee collected is paid in lieu of taxes to the municipality concerned. In addition to owning land, the Province also buys and sells land through the Department and these transactions often involve negotiations with local governments. The Department is also brought into contact with municipalities through its management of wild life and predators and through its responsibility for the control of forest and prairie fires outside urban districts.

#### Department of Municipal Affairs

As previously mentioned the Department of Municipal Affairs administers The Municipal Act which is, of course, the basic legislation. The Department has several specific responsibilities such as assessment, the administration of local government districts, the winter works program, the Municipal Development and Loan Fund, urban renewal and town and rural planning. Recently the Department began a program of decentralizing the assessment services and has divided the province into four regions with offices at Dauphin, Minnedosa, Souris and Morden.

Although The Local Government Districts Act makes provision for advisory committees in local government districts, all 17 districts in the province are the direct responsibility of the Department. This responsibility is discharged through resident administrators who work under one supervisor.

Administration of The Winter Employment Act (S.M., 1958, 2nd Sess., c. 11) was recently transferred to the Department of Municipal Affairs. This program involves a relationship amongst the three levels of government with the Federal Government bearing the major share of the expense. Section 3 of the Act as amended in the 1964 session of the Legislature, allows the Minister to approve a project proposed by a municipality if he is satisfied that it is a project that will provide employment during winter months for persons who would otherwise be unemployed and in particular for those who have exhausted their insurance benefits under the Unemployment Insurance Act (Canada), or are, or would become, public charges or require, or would require, assistance from public funds.

The Department has recently been made responsible for the administration of the new Municipal Development and Loan Fund under which the Federal Government has allocated \$20,000,000 for Manitoba. Municipalities submit their projects to the Department and it acts as the approving and lending agency for the Federal Government.

The Housing and Rehabilitation Act (S.M., 1962, c. 31) deals with urban renewal and makes provision for provincial participation under Sections 23 and 36 of the National Housing Act with the municipalities and the Federal Government in the creation or rehabilitation of low-cost public housing. The Federal Government meets 75 per cent of construction costs and operating losses of the projects approved and the remaining 25 per cent is met by the Province which then recovers one-half of its share from the municipality concerned. Land costs are shared on the basis of 50 per cent by the Federal Government, 25 per cent by the Province and 25 per cent by the municipality concerned.

The Department provides an advisory land use planning service to municipalities other than those within Metropolitan Winnipeg on a shared-cost basis, the local share being fixed at 30 cents per capita, which normally works out to



between 25 and 35 per cent of the total. The type of assistance provided includes assembly of background planning information, preparation of base maps, recording of physical development features of each community, evaluation of present planning control, preparation and implementation of planning controls, review and design of sets, divisions and physical improvement projects and preparation of an over-all plan as a guide for future development.

### Provincial Library

The Provincial Library administers provincial grants to regional, city and municipal libraries. A minimum of two municipalities collaborate to establish a regional library and receive an establishment grant of \$10,000 plus \$2,000 for each municipality that joins subsequently and an annual grant of \$2,000 per municipality per year. City and municipal libraries may receive an establishment grant of \$200, an annual grant of \$2,000 plus \$1,000 for each branch or bookmobile. Effective in 1964 each library, regional, city or municipal, will receive an additional grant based on the amount collected locally through taxes for library purposes. The Province will pay an amount equal to 30 per cent of the first \$10,000 collected locally for library purposes, 10 per cent of the next \$10,000 and 5 per cent of any amount in excess of \$20,000.00. At the present time there are nine regional libraries in Manitoba and ten city or municipal libraries.

### Department of Public Utilities

The Public Utilities Board is the ultimate authority in the regulation of all public utilities, including those under municipal control. The Motor Vehicle Branch, which comes under the Department, has branch offices at Brandon and Flin Flon and in addition has approximately 115 appointed agents around the Province to handle registrations, motor vehicle licences and drivers' licences. The Manitoba Hydro and the Manitoba Telephone System come into contact with municipalities only in the payment of grants in lieu of taxes.

### Department of Public Works

The Department of Public Works has two main divisions, one concerned with highways and the other with public buildings. The Highways Branch of the Department has divided the province into eight highway districts for administrative purposes. Metropolitan Winnipeg is District 8 and Districts 1, 2 and 3 also operate from the City. Districts 4 and 5 are centred at Brandon, 6 at Dauphin, and 7 at The Pas. Each district maintains close contact with the municipalities in its area as to road work that has to be done. The Department also has a central dispatch office that keeps track of all equipment so that if equipment is not in use by the Department it may be rented to the municipalities.

Grants for highway maintenance, servicing and construction are made through the Department and vary according to road classification and negotiation.

The Department is responsible for the payment of grants in lieu of taxes on all government departmental properties. Major government buildings are located at the following centres: Winnipeg, Fort Garry, Brooklands, Tuxedo, Assiniboia, West St. Paul, Brandon, Portage la Prairie, Dauphin, The Pas, Neepawa, Minnedosa, Morden, Boissevain, Carman, Emerson, Virden, Souris and Selkirk.

Department of Welfare

The Department of Welfare was separated from the Department of Health and Welfare in 1961 (S.M., 1961, c.67) with responsibility for all that part of the administration of the executive government of the Province that relates to public welfare, including all matters dealt with by any of the following Acts: The Child Welfare Act, The Disabled Persons' Allowances Act, The Blind Persons' Allowances Act, The Elderly and Infirm Persons' Housing Act, the Fitness and Amateur Sport Act, The Old Age Assistance Act, and The Social Allowances Act. For administrative purposes the Department has divided the province into six regions, three of which, Eastern, Winnipeg and Central, operate out of Winnipeg. Headquarters of the other three regions are located at Brandon, Dauphin and Flin Flon.

The Provincial Allowances Board has created two divisions, Southern and Northern, with regional offices at Brandon and Dauphin. The Department gives special attention to native peoples through its community development program and has established eight field offices at Grand Rapids, Norway House, Churchill, Campberville, Berens River, The Pas, Cedar Lake and Thompson.

The Children's Aid Society, which has a close relationship with the Department of Welfare, has divided the province into four regions: Winnipeg, Eastern Manitoba, Central Manitoba and Western Manitoba.

There has been a significant tendency in recent years for welfare functions to become the responsibility of the Provincial Government with Federal financial participation in many instances. The Department has, or may have, a definite relationship with local governments mainly in the provision of elderly persons' housing, physical fitness and amateur sport, and in indigent relief under The Social Allowances Act. The Elderly and Infirm Persons' Housing Act. (S.M., 1964, c. 17) makes provision for provincial grants to municipalities individually or jointly, or to approved and incorporated private non-profit or charitable organizations, for the purpose of providing housing accommodation for elderly and infirm persons whose incomes do not exceed five times the rental figure. Housing to be provided by non-profit or charitable organizations must be approved by a resolution of the council of the municipality or municipalities concerned in order to qualify for a provincial grant. To qualify for a grant a municipality must have obtained or contributed in money 20 per cent of the cost of the elderly and infirm persons' housing accommodation, or, in the case of new construction, the necessary land and 10 per cent of the total cost of construction, not including the cost of the land. Once the municipality has qualified it may receive a provincial grant of approximately one-third the cost of construction or reconstruction up to a maximum set on a per bed basis.

Administration of operating units is provided for in section 431 (7) of The Municipal Act as follows: "A Municipality may appoint a board for the home for the aged and infirm, consisting of the head of the municipality, the chairman of the committee of finance, and six other persons resident in the municipality but not members of the council, ... and the board shall be under the direction and control of the council of the municipality." As of 31 January, 1964 there were in existence or under construction 6 units sponsored by municipalities and 44 sponsored by non-profit or charitable organizations.

The Fitness and Amateur Sport Act (S. M., 1962, c. 22) was passed in 1962 and makes provision for a joint federal-provincial program that may involve municipalities, parks boards, or recreation committees. The provincial grants are set up at maximums of \$600, \$1,000 or \$1,500 depending on the size of the municipality and are normally made only as part of a program already being carried on. At present some 40 municipalities are participating.

The Social Allowances Act (S. M., 1959, 2nd Sess., c. 57) has made a major change in municipal responsibility for relief and welfare. Section 453 of The Municipal Act permitted the corporations to provide by resolution or by-law,

" (a) for aiding in maintaining any indigent person who is a resident of, or found within the limits of, the corporation, at any workhouse, hospital, or institution for the insane, deaf and dumb, blind, or poor, or other public institution or a like character; or

(b) for granting outdoor relief to the resident poor or those found within the limits of the corporation, and to such persons as are afflicted with any contagious or infectious disease who are unable, through poverty or other causes, to care for themselves; or

(b1) for paying as maintenance, relief, or support, the whole or part of any special levies or rates for local improvements under Divisions I, II, and III, of Part VIII imposed and levied against land constituting the home in which he resides of a person who is unable, through poverty or other causes, to pay the special levies or rates imposed and levied for local improvements; or

(c) for regulating and prescribing the conditions under which such relief is to be given."

Under The Social Allowances Act the municipalities were relieved of responsibility for all long term cases and, when the Act is fully proclaimed, will be left with obligations to the following: the family of a husband who is in jail for a period of less than one year; a family deserted by the breadwinner for less than one year; the unmarried mother with one child; and the employable but needy person who has exhausted benefits under the Unemployment Insurance Act or was not insured. The municipalities are not charged with full financial responsibility for these cases as the Province pays an amount equal to 80 per cent of the cost in excess of the yield of one mill on the equalized assessment, or 40 per cent of the total actual costs incurred, whichever is greater.

PART C - FEDERAL - PROVINCIAL - LOCAL ADMINISTRATION

In describing the local administration of the Departments of the Manitoba Government, reference has been made to several federally sponsored local programs which are of direct or indirect interest to municipalities. Important among these federal activities at the local level are the well-known Prairie Farm Rehabilitation Administration (PFRA) and Agricultural Rehabilitation and Development Administration (ARDA) but the range is quite extensive. Programs in rural areas include the operation of community pastures, tree planting, control of Bang's disease, land use surveys, drainage and reclamation projects, crop insurance and farm loans. Other sponsored programs include the Municipal Development and Loan Fund, Trans-Canada highway and roads to resources grants, federal health grant programs, hospital construction grants, the hospital services insurance scheme, municipal winter works programs to create employment, urban renewal and low-cost housing projects and the construction of municipal sewage plants (both through the facilities of Central Mortgage and Housing Corporation), technical school construction and operation, fitness and amateur sports grants, civil defence and centennial celebration grants.

✓ At the rate that these local programs, involving two or three governments, have been developing since the War, it seems likely that the regional divisions and centres which we propose as focal points for provincial-local administration and for joint provincial-municipal activities may also be used for similar activities to which the Federal Government is a party. We make no recommendation in this respect because it appears to us that such an extension of the use of regional machinery will probably develop best on an ad hoc or experimental basis.



## PART D - STATISTICS OF PUBLIC SERVICES

The political and administrative organizations which have been built up to give local service to the people of Manitoba have now been described in some detail. We conclude with a brief statistical survey of the personnel of public services in Manitoba as a means of showing the extent and significance of government at all levels.

The province has been divided territorially in many different ways to serve the political and administrative purposes of the federal, provincial and local governments. A complete list of the constituencies, districts, units, zones, areas and regions is not easy to compile because of frequent changes and of lack of definition, but the following have come to our attention:

14	federal constituencies
57	provincial constituencies
197	municipal corporations
17	local government districts
46	school divisions
1554	school districts
44	hospital districts
14	local health units
6	laboratory and x-ray units
35	agricultural representatives' areas
12	home economists' areas
10	Agricultural Credit Corporation areas
6	Manitoba Crop Insurance Corporation test areas
28	drainage maintenance districts
20	weed control districts
1	veterinarian's service district
4	assessment regions
6	judicial districts
63	county court districts
8	land titles districts
3	Department of Labour administrative districts
8	administrative regions for Mines and Resources
8	Public Works Highways engineering districts
9	Regional Libraries
6	Welfare divisions
2	Provincial Allowances Board areas
4	Children's Aid Society divisions
7	economic regions for surveys of the Department of Industry and Commerce
3	civil defence zones
20	census divisions

The employees of the three levels of government and their agencies, who administer the various public services, are listed in the following tables, prepared either from estimates or public sources as stated:

Permanent employees of municipal governments as estimated in the Report of the Committee on Manitoba's Economic Future, IX-3-9, in the year 1961. 4,485

Permanent and casual employees of the Provincial Government as of September 30, 1963 as given in Dominion Bureau of Statistics Publication 72-007, excluding provincial institutions of higher education, Provincial Government enterprises, Workmen's Compensation Board and including Departmental Services. 8,566

Federal Government employees in service in the Province of Manitoba as at October 31, 1963, according to Dominion Bureau of Statistics Publication 72-004, "Federal Government Employment", excluding agency and proprietary corporations and other agencies and including departmental branches, services and corporations, and casual employment. 10,081

On the political side there is one elected representative for each 154 persons in Manitoba. This distribution is illustrated below.

Table 2. - Elected Representatives in the Province of Manitoba 1962

	Number of Elected Representatives	Number of Citizens per Elected Representative
Federal Parliament:		
Rural	9	50,151
Urban	5	94,064
Total	14	65,835
Provincial Legislature:		
Rural	36	11,709
Urban	21	23,816
Total	57	16,170
Municipal:		
Metro	10	46,633
Cities	83	5,620
Suburbans	27	1,495
Towns	206	410
Villages	180	117
Rural Municipalities	638	367
Total	1144	740
School (estimated):		
Divisions	300	2,862
District	4450	207
Total	4750	194

Note: Federal urban is based on the four Winnipeg ridings and St. Boniface. The balance is treated as rural.  
Provincial urban is as defined in The Electoral Boundaries Act except that all of North and Old Kildonan is included.

## CHAPTER III

# PROPOSED CHANGES IN DIVISION OF RESPONSIBILITIES BETWEEN MUNICIPALITIES AND THE PROVINCIAL GOVERNMENT

## Recommendation 1.

EXCLUSIVE MUNICIPAL RESPONSIBILITIES. ALL MUNICIPAL CORPORATIONS, CITIES, SUBURBAN MUNICIPALITIES, TOWNS, INCORPORATED VILLAGES AND RURAL MUNICIPALITIES SHOULD HAVE THE EXCLUSIVE RESPONSIBILITY FOR THE PROVISION OF THOSE LOCAL SERVICES WHICH ARE OF PECULIAR BENEFIT TO THE PEOPLE AND PROPERTY WITHIN THEIR RESPECTIVE BOUNDARIES, AS CONTRASTED WITH SERVICES OF GENERAL BENEFIT TO THE PEOPLE OF THE PROVINCE, REGARDLESS OF THEIR PLACES OF RESIDENCE. THESE LOCAL SERVICES AND RESPONSIBILITIES INCLUDE:

- (a) GENERAL ADMINISTRATION OF LOCAL GOVERNMENT;
- (b) PUBLIC WORKS - LOCAL ROADS, STREETS AND BRIDGES, LOCAL DRAINAGE, LOCAL IMPROVEMENTS, MUNICIPAL BUILDINGS AND OTHER SIMILAR WORKS;
- (c) UTILITY OPERATIONS;
- (d) PROTECTION OF PERSONS AND PROPERTY - FIRE, POLICE, TRAFFIC CONTROL, SANITATION AND WASTE REMOVAL AND RESIDUAL PUBLIC HEALTH SERVICES UNDER THE MUNICIPAL ACT, STREET LIGHTING, DESTRUCTION OF PESTS AND SIMILAR PROTECTIVE SERVICES;
- (e) RECREATION AND COMMUNITY SERVICES;
- (f) LEVY FOR THE FULL COST OF ASSESSMENT BY PROVINCIAL ASSESSORS;
- (g) PROVISION FOR DEBT CHARGES, DEFERRED AND OTHER LIABILITIES, INCLUDING EXISTING DEBT WHETHER OR NOT INCURRED FOR LOCAL SERVICES AS NOW DEFINED;
- (h) PROVISION FOR RESERVES; AND
- (i) MISCELLANEOUS AND INCIDENTAL SERVICES; AND

EXCLUDE CERTAIN ROADS AND DRAINS, FORMERLY MUNICIPAL, AND THE GENERAL SERVICES WHICH ARE DEFINED AS PROVINCIAL RESPONSIBILITIES IN RECOMMENDATION THREE.

## Recommendation 2

JOINT MUNICIPAL RESPONSIBILITIES. ALL MUNICIPALITIES SHOULD ALSO HAVE THE RESPONSIBILITY IN CO-OPERATION WITH SCHOOL DIVISIONS, OTHER MUNICIPALITIES, AND THE PROVINCE AND ITS AGENCIES, TO DO THE FOLLOWING:

- (a) LEVY THE FIXED AND SPECIAL PUBLIC SCHOOL RATES IMPOSED BY SCHOOL DIVISIONS;
- (b) LEVY FOR AND SHARE IN THE ADMINISTRATION OF INTER-MUNICIPAL WORKS AND SERVICES ARRANGED FOR THROUGH THE REGIONAL COUNCILS AS DEFINED IN CHAPTER IV;
- (c) LEVY FOR OTHER STATUTORY RESPONSIBILITIES; AND

- (d) ADMINISTER AS AGENTS FOR, AND AT THE COST OF THE PROVINCE, ITS BOARDS AND COMMISSIONS, SUCH SERVICES AS THE PROVINCE MAY REQUIRE OF THE MUNICIPALITIES.

### Recommendation 3

PROVINCIAL RESPONSIBILITIES. THE PROVINCE SHOULD ASSUME THE RESPONSIBILITY, ADMINISTRATIVE AND FINANCIAL, AT PRESENT PARTLY RESTING ON MUNICIPALITIES, FOR THE FOLLOWING GENERAL SERVICES:

- (a) SOCIAL WELFARE SERVICES;
- (b) HEALTH SERVICES WITH LIMITED EXCEPTIONS ALREADY NOTED IN RECOMMENDATION 1 (d); AND
- (c) THE PLANNING AND CONSTRUCTION OF HOSPITALS.

### Principles

As stated in the second chapter of this Report, your Commission is convinced that municipal government still has a vital role to play in the public administration of the province. It is also convinced that major reforms are needed in the division of functions between municipalities and the Province and in their financial relationships. In the Preface we have stated in general terms the principles upon which we think that these reforms should be based. They may be restated briefly.

Municipal governments should be reconstituted so as to be able to discharge their responsibilities independently and from their own financial resources without having to rely upon subsidies from senior governments.

There should be a clear separation of the responsibility of providing local services of special benefit to the property and people within the municipality from those general services which are designed to benefit people without regard to locality and which have increasingly been supplied by the provincial or federal governments.

Provincial taxes of general application, such as taxes on income and expenditure for consumption and use, provide more equitably for services which are for people in general, whereas the tax on real property, which does not meet the tenets of sound tax principles, is justifiable only if it is limited to the provision of local services which benefit the taxed property and its occupants.

This third principle is deferred for discussion in Chapter VI but the application of the first and second principles is considered at this point.

We do not wish to prescribe a temporary palliative but to recommend a sound base for municipal government from which it can discharge its proper functions from its own revenues without having to call on the provincial or federal governments for subsidies. If this can be done, it should restore the independence of municipal government without destroying its usefulness as an agent of the provincial administration in some limited respects, and it should also assist the electors in relating the taxes which they pay to the services which they receive.

These objectives can be attained only if the municipalities have sufficient independent tax revenues to carry out their responsibilities. As we have not



been able to find any suitable tax source to supplement the real property tax, we have had to try to assure to the municipalities the first call on this tax, putting school requirements in a secondary position.

The resulting transfer of educational costs to the Province is somewhat formidable but it must be made if the municipalities are to be re-established as independent local governments in their own sphere of action.

### Specific Changes in Responsibility

One of the first questions to be answered is what services may be considered local in the context of present-day conditions and opinion? The four basic services which we consider to be local are public works, utility operations such as waterworks and sewers, the protection of persons and property and recreational and community services. The decision as to whether or not a local community is to have a system of running water, a skating rink or a hall, is best made by the residents themselves acting through their council. Once the decision is made, the service is best administered through the local political system.

All of these services have the common characteristic of being for the benefit of the citizens of an urban or rural municipality, designed to make their community life enjoyable and the use of their property comfortable or profitable. As citizens they have banded together to provide for themselves collectively, through their elected representatives, what they could not do or do as well individually. The connection between what they pay in municipal taxes and what they receive is at least apparent, whether or not it is proportionate. In other municipalities the services will be similar, but not necessarily the same, depending on their location, the density of population, the type of economy and other social and economic factors.

### Social Services

The recommendation that complete financial responsibility for social welfare be transferred to the Province is based on a number of considerations. In the first place it completes the process, which has been going on for many years, of removing the welfare burden from local government by a steady increase in provincial and federal participation. Old age pensions are a good example of this process. The earliest federal legislation was in 1927 and it required provincial participation. Manitoba passed complementary legislation in 1928 (S. M., 1928, c. 44) but recovered all its expenditures from local governments through a levy. The levy was reduced in 1937 and discontinued completely in 1949. By a constitutional amendment in 1952 the Federal Government took over complete responsibility for pensions to all persons over 70 years of age and these were paid as a matter of right without a means test. In 1952 a system of old age assistance was introduced for those between 65 and 70 years to be paid on a basis of need with the cost being shared evenly between the central and provincial governments. Blind persons' allowances were established in the same year with 75 per cent of the cost being paid by Ottawa. Municipal financial responsibility for relief of the aged and the blind ceased, but it is interesting to note that the Province continued to make use of local knowledge in the administration of its old age assistance program by providing that applications should be made, in the first instance, to the municipality in which the

applicant resided and then forwarded, with a recommendation from the council, to the pensions board. This practice was discontinued in 1959. Disability allowances were introduced in 1957. All three services, old age assistance, blind persons' allowances and disability allowances, are now administered in common by a single provincial board, the Old Age Assistance and Blind Persons' Allowances Board.

A further example of the process of transfer of responsibility from the local to the senior governments is found in the relief of the poor and the unemployed. The bulk of expense for unemployment relief is, of course, a charge on the federal unemployment insurance fund which was established in 1940. There are, however, many individuals who require assistance but do not come under the terms of the Unemployment Insurance Act, or have exhausted their benefits, such as unemployable mothers who have been deserted by their husbands, widows or neglected children, to mention but a few. The Social Allowances Act of 1959 (S. M., 1959, 2nd Sess., c. 57) establishes provincial policy for such cases in the following terms: "...the Government of Manitoba and each of the several municipalities in the Province may take such measures as are necessary for the purpose of ensuring that no resident of Manitoba, including an Indian as defined in the Indian Act (Canada), lacks (a) such things, goods and services as are essential to his health and well-being, including food, clothing, shelter, and essential surgical, medical, optical, dental, and other remedial treatment, care and attention; and (b) an adequate funeral upon his death."

The Province of Manitoba has been acting on the philosophy of the welfare state in accepting responsibility for minimal welfare for all its residents. A small part of this responsibility has been left with the local governments. When all sections of The Social Allowances Act have been proclaimed, the municipalities will have responsibility only for the following cases, if assistance is needed: the family where the husband is serving a jail sentence of less than a year; the first year of desertion; the unmarried mother with one child; and the person who is employable but unemployed and who, if insured, has used up unemployment insurance benefits. In addition, exceptional cases may occur such as a family whose shelter has burned. In essence the municipalities have a residual responsibility under the Act and even within this, the extent of their financial responsibility is limited by a '40-80 formula' under which no municipality will get less than 40 per cent of its costs from the Province, but if they exceed one mill may elect to receive 80 per cent of the excess instead of the 40 per cent.

A suggested advantage for leaving a residual responsibility with municipalities was the personal knowledge that councillors often have of the individuals or families concerned, and the councillors' ability to act quickly in the case of emergency. On the other side it was said that local decisions in welfare matters tended to vary from place to place depending on the personal views of the councillors and resulted in an uneven if not inequitable administration of relief. In our proposals for regional provincial administration of this service, the regions are of a size that should make possible quick action in an emergency situation, and there seems to be nothing to prevent a decentralized provincial welfare service from taking advantage of local knowledge.

In the City of Winnipeg welfare administration is now on a professional basis in that the council sets over-all standards but does not normally consider

individual cases. Transfer of the function to the Province would involve the transfer of a staff of 75 to 80 persons (of which almost half are professional social workers) from the civic to the provincial civil service.

The logic of the situation seems to us to be that minimal economic well-being is now accepted as the right of everyone and is, therefore, a general and not a local service. It should be a provincial responsibility and the cost of this service should be borne out of general revenues and should not be a charge on real property.

### Health Services

In health services as in welfare services there has been, in the past twenty years, a continuing shift of responsibility from the municipalities to the provincial and the federal governments. Some old or traditional services have been partially removed from the jurisdiction of the municipalities and new services that have developed since 1945 have been entrusted to other forms of local organization such as the local health unit or hospital district or to a higher level of government.

The Royal Commission on Dominion-Provincial Relations (known as the Rowell-Sirois Commission) recognized federal responsibility for, "Leadership in establishing uniform standards where these are desirable, ... Leadership in effecting co-operation between the provinces and co-ordination between services of the various provinces in order to avoid overlapping and deficiencies in health services, ... Scientific research in medicine and public health generally."<sup>1</sup>

While the specific recommendations of the Commission were rejected by the Dominion-Provincial Conference of 1941 the Government accepted the philosophy of a greatly enlarged federal responsibility in health services and went well beyond the Commission proposals. The Speech from The Throne in January 1943 announced future government policy as being a comprehensive scheme of social insurance, including health insurance, on a nation-wide basis. A Dominion-Provincial conference was called in 1945 to consider, among other things, a federal plan for health insurance but necessary agreement with the provinces was not achieved. In 1948 the Prime Minister announced in the Commons, "The government has reached the conclusion that lack of agreement with certain provinces should no longer be allowed to stand in the way of a further immediate advance in the field of public health. We have accordingly decided to proceed with a substantial health program at the present session."<sup>2</sup>

The federal health program that followed was a series of conditional grants to the provinces for general public health services, tuberculosis control, mental health care, venereal disease control, prevention and control of crippling conditions in children, blindness prevention and control, professional training, public health research and hospital construction. Between the beginning of the program and the end of the fiscal year 1961-62, the Federal Government had spent for Canada as a whole \$448 million, of which \$26 million was spent in Manitoba. This very substantial federal activity has been more than matched by provincial spending.

<sup>1</sup> The Royal Commission on Dominion-Provincial Relations, Book II, Ottawa, King's Printer, 1940. p. 35.

<sup>2</sup> House of Commons Debates 1948, Ottawa, King's Printer, p. 3932.

Provincially, the first Public Health Act was passed in Manitoba in 1890. Three years later a Provincial Board of Health was established under the Minister of Agriculture and Immigration and the province was divided into health districts with an inspector appointed for each. The first provision for inspection and control of milk supplies and of water and sewage treatment plants was made in 1911. In 1916 the Board of Health was reconstituted and a chief health officer and a provincial sanitary engineer appointed. A provincial health nursing service was also established in the same year. A Department of Health and Public Welfare was created in 1928 and the first health unit, St. James and St. Vital, was established with the aid of a grant from the Rockefeller Foundation. Health units were established in St. Boniface in 1934 and in Dauphin in 1944. More recent provincial developments are detailed later in this chapter.

With all this federal and provincial activity, what room is left for municipal or local financial participation? This question can best be answered after looking at the present division of functions. Existing responsibilities of each government are provided for in The Health Services Act (R.S.M., 1954, c.11), The Municipal Act (R.S.M., 1954, c.173), The Public Health Act (R.S.M., 1954, c.211), The Hospitals Act (S.M., 1958, c.23) and The Hospital Services Insurance Act (S.M., 1962, c.30).

The first relationship to be made clear is that of local authorities under The Public Health Act and The Municipal Act. The Public Health Act gives wide powers to the Department of Health and lays down certain minimum conditions for sanitation, control of impurities in food and so on. The Municipal Act gives municipalities the power to pass by-laws for the control of contagious diseases, inspection of cellars, drains and sewers, establishment of scavenging systems, inspection of plumbing, seizure and destruction of tainted food, prevention of the use of deleterious materials in making bread, prevention of the sale of adulterated milk, inspection of places that deal in foodstuffs and some other related matters. In effect each municipality has the power to add to the minimum standards prescribed in The Public Health Act but the degree to which they exercise this power varies all the way from the very comprehensive program of the City of Winnipeg to the minimal provisions of some villages and rural municipalities.

Until recently, the municipality was the most important local unit of health administration, but in the years following the passage of The Health Services Act in 1945, other forms of local administration have developed. These are the local health units, the laboratory and x-ray units and the hospital districts. There are at present fourteen local health units in the province each covering several municipalities and serving nearly half a million people. This year's Throne Speech indicated that 30,000 more people are to be taken into local health units. These units come into being when plans sponsored by the Minister are approved by the municipalities concerned. If rejected, the plan can be brought to a vote by a petition signed by ten per cent of the electors. The composition of local boards to administer health units varies but the number of members must not be less than five and each participating municipality must be represented. The lay board acts as a liaison between the public and the unit in carrying out its responsibilities in such areas as the control of communicable diseases, maternal and child hygiene, school health services, mental health, crippled children's services, general sanitation and health education. The cost of local health units



is met by the Province. One-third of the cost is recovered from federal grants and approximately one-third of the administrative expense is charged back to the participating municipalities. All employees of the unit are provincial civil servants. Where local health units exist, what were formerly municipal functions in health services are discharged through it. The medical officer of the local health unit becomes the health officer of each participating municipality and is responsible for the enforcement of existing municipal by-laws. Thus the medical director is at one and the same time a provincial civil servant and a municipal official.

In those areas of the province which are not in a local health unit the municipality must appoint a health officer. It is his task to see that the basic health requirements set out in The Public Health Act and enlarged on by local by-law are met. Recently a new regulation was made under The Public Health Act requiring the appointment of a plumbing inspector to assist the medical officer. In addition the Province provides certain health services on request.

Laboratory and x-ray units exist in six areas in the province, and where they do exist, their boundaries are (with minor exceptions) coterminous with the local health unit boundaries. These units are usually administered by the same boards as the local health units and the administrative costs are paid for in a somewhat similar fashion.

Before going on to discuss hospitals your Commission wishes to make clear the changes it proposes in the organization of the local health unit and the laboratory and x-ray units and their financial relationships with the Province. While organization is discussed in more detail in the following chapter on regions, it should be noted at this point that we propose to disband the local boards and transfer their functions to larger regional boards. The regional medical director would continue to enforce municipal by-laws made under sections 883, 884, 885, 886, 887 and 896 of The Municipal Act in the same way as the medical director of a local health unit now does. The cost sharing arrangement would be discontinued and the Province, together with the Federal Government, would pay the entire cost of health services currently being provided by the local health units and the laboratory and x-ray units. These services would be developed on a uniform basis over most parts of the Province lying south of the 53rd parallel.

The services and financial responsibility which would be transferred from the City of Winnipeg to the Province require further clarification because Winnipeg has never been set up as a local health unit. The Province makes a yearly grant to Winnipeg of just over \$90,000.00. However, many of the responsibilities of the City Health Department are practically identical with those being undertaken elsewhere by local health units and these activities are carried out by the use of similar staff and similar techniques. It is the transfer of these services to the Province that is recommended. It appears that the City Health Department also provides some services not normally provided in a health unit and these should remain its responsibility. Examples are the operation of the City Public Health Laboratory and the pre-employment physical examination of all civic and school board employees.

Having identified the services to be transferred, it remains to give our reasons. The first and most important reason is that health services are not a

proper charge on real property in that they are based on provincial, even national, rather than local standards. Our aim is to put the realty tax back into its proper position as the source of revenue for services that are local in nature. Health services are rapidly becoming services of a kind that will be available to all citizens on a uniform basis. This view was expressed by the Chairman of the Royal Commission on Health Services at the opening of its hearing in Ottawa, "The view appears to be developing, taken into account increasingly by Governments, that opportunity for good health is a right possessed by all and should become available in one form or another to every citizen of Canada." <sup>3</sup> Clearly, the federal and provincial governments have accepted a major part of the financial responsibility for provision of health services. The only reason for leaving part of the cost with municipalities is to make possible a degree of local administration and to guarantee a sense of responsibility in that administration. We think that regional decentralization and participation by a regional council can bring the service close to the people without local financial responsibility.

### Hospitals

Under The Health Services Act hospital districts <sup>4</sup> are formed on the request of the local residents either through the council or through a petition of the rate-payers. There has been good response to the program as there are now 44 districts in existence. However, this has also meant that there has been no over-all provincial plan. As a result, some municipalities are in districts and some are not and there are instances, as in the Rural Municipality of Lorne, where a municipality is in two medical nursing units and one hospital district with two separate and distinct parts of the municipality in neither a hospital district nor a medical nursing unit. Under recent legislation, over-all direction is now given to the Manitoba Hospital Commission which is charged with the general duty to plan, organize, and develop throughout the province a balanced and integrated system of hospitals and related facilities.

Local participation in the administration of hospitals is effected through the hospital district boards on which all participating municipalities are represented and which, in theory, have a responsibility for all hospitals in the district. However, if there is more than one hospital in the district, a local administrative committee is chosen for each, and in practice these committees have become the effective bodies. Each board or committee submits its annual budget to the Executive Director of the Manitoba Hospital Commission who is required to examine and make a recommendation for each submission. If the budget is contested, it may be appealed to the Commission for a final decision.

When a group of municipalities form a hospital district they accept two forms of financial responsibility, firstly, 20 per cent of the cost of construction and secondly, responsibility for operating deficits that may arise should a hospital exceed the budget approved by the Manitoba Hospital Commission. We propose to discontinue the 20 per cent share of capital costs and to change, slightly, the machinery for collecting operating deficits.

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<sup>3</sup> Submission by Hon. Duff Roblin, Premier, on behalf of The Government of Manitoba to the Royal Commission on Health Services. Winnipeg, Queen's Printer, 1962, p. 4.

<sup>4</sup> This term is used here as meaning either a hospital district or a medical nursing unit.

Our basic reasons for recommending that the 20 per cent local share be discontinued are that such costs are not a legitimate charge on real property nor an equitable method of sharing the burden, in that hospitals of the province are open to all citizens, regardless of residence and whether or not they are real property taxpayers. Moreover, this participation by local taxpayers is often an impediment to over-all planning of hospital facilities in that the initiative for construction of new facilities tends to rest on the basis of local perspectives and frequently does not conform to a logical plan. We think that the Province, through the Manitoba Hospital Commission, should decide where hospitals are to be and should meet the cost of construction. In saying this, we should acknowledge that our terms of reference require us to make recommendations about hospitals only insofar as they have a relationship with local government. We have been pressed in several briefs to say something about the financial problems of voluntary hospitals, which are dependent in part on charitable support, but we consider it beyond our scope to do more than observe that they should look to the senior levels of governments as a much more appropriate source of capital assistance.

Our enquiries indicate that hospital deficits of a kind that cannot be absorbed by the Manitoba Hospital Commission are becoming less frequent, but that such deficits may occur and should be provided for. As will be made clear in the following chapter, we propose that hospital district boards be abolished and that administration be carried out by the local committees and a sub-committee of regional councils. In the event of a deficit the regional council could bill all or part of the municipalities within its boundaries and, subject to an appeal to the Municipal Board, such council would be bound to meet its share.

#### Roads

Although there are certain broad categories of road classification for grant purposes, most projects are negotiated as to the exact amounts contributed by each level of government. An idea of the complexity of road grants may be obtained by examining the various categories of grants, keeping in mind that all road projects are subject to ministerial discretion.

Provincial Trunk Highways (PTH's) are basically a provincial responsibility. (The Trans Canada Highway was constructed under an agreement between the Federal Government and the Province.) Where PTH's run through urban areas other than Metropolitan Winnipeg, the Province pays 100 per cent of the construction cost of the central or highway traffic lanes of streets and 100 per cent of the cost of bridges. In addition the Province pays maintenance grants within urban areas of \$1,000 per mile or, alternatively, assumes the full cost.

Certain roads, on which the traffic is not primarily local, are chosen by the Minister as roads for which the Province will assume full financial responsibility. These are known as Provincial or 100 per cent roads. Access roads of not more than five miles running from main business sections to PTH's may fall in this classification. If towns or villages wish to pave from curb to curb in the business section of the access road, they are eligible for a 60 per cent grant for the flankage outside the 30-foot centre strip.

For secondary highways the Province assumes 75 per cent of the cost of maintenance, snowplowing and construction, including rights-of-ways and bridges. However, if a bridge costs more than \$100,000, the grant is 80 per cent.

In the rural areas there is a basic grant of up to \$10,500 per municipality paid on a provincial 60 per cent-municipal 40 per cent basis for grading, gravelling and paving roads in the main market system with rights-of-way costs included. General maintenance costs are the full responsibility of each municipality. Snowplowing is carried out on a 50-50 basis with a maximum provincial contribution of \$2,000 per municipality. Provision is also made for special grants on a 60-40 basis for special projects on main market roads which, in the opinion of the Minister, are worthy of such assistance. School division bus routes are considered part of the main market road system for grant purposes.

Intowns or villages grants made on a 60-40 basis are usually limited to improvements on main streets or through streets to hospitals and to areas of commercial or community activity. Arterial links within an urban centre between main market roads, secondary highways, 100 per cent roads or PTH's may also be eligible for the 60-40 grant. Snowplowing of streets on which the 60-40 construction formula is applied is normally on a 50-50 basis to a maximum provincial share of \$600 for any one town or village. Snow removal, that is, load and haul, from the flankages of PTH's and provincial roads, through the business section is also shared evenly with no definite provincial maximum.

The Province pays grants on a sliding scale towards the cost of construction of bridges on main market roads and school division bus routes: 60 per cent of the first \$10,000, 70 per cent on the next \$15,000, 75 per cent on the following \$15,000 and 80 per cent on all costs over \$40,000.00.

Ward or 'municipal' roads are the sole responsibility of the municipality.

This situation should be simplified. In line with the principle of a clear separation of provincial and municipal services, the Province should assume complete financial and administrative responsibility for the construction and maintenance of a larger part of the system of roads and bridges which connect communities. These roads and bridges should be defined specifically by the Province, using the criteria whether or not a road or bridge is of a provincial or local nature.

In Table 1 we have set up a division of all roads in rural municipalities on the basis of these principles. This would leave these municipalities with a somewhat reduced financial burden. However, the program can only be expressed in general terms and its application for individual rural municipalities might vary substantially from the results for the total rural municipalities.

Table 1. - Proposed Redistribution of Provincial-Municipal Road Mileage

	Organized Territory	Unorganized Territory	Total
Present: 100% Roads	440	909	1,349
Secondary Roads	155	-	155
Main Market Roads	11,570	1,180	12,750
Total	12,165	2,089	14,254
Proposed: Provincial Roads	4,000	2,089	6,089
Municipal Roads	8,165	-	8,165
Total	12,165	2,089	14,254



In the Table we have not applied the principle to urban municipalities because of the more complex character of the street system. The system does not lend itself as readily to an easy classification into streets of a local or provincial nature. However, one possible solution would be to define as a provincial responsibility those streets which serve through traffic. Another possibility in urban areas is the continuation of some element of sharing. This we have proposed for The Metropolitan Corporation of Greater Winnipeg in Chapter X.

In any event the residue not assumed by the Province should be so limited that the costs of its construction and maintenance will not require the expenditure by municipalities, both rural and urban, of a greater proportion of their resources on the average than they are now spending on this account.

### Water Control

Water control in Manitoba is of great importance to our domestic, agricultural and industrial life. The problem is two-fold: the drainage of excess water and the provision of an adequate water supply. The drainage of excess water has long been the subject of administrative and financial arrangements between the Provincial Government and the municipalities. The construction of drains has been carried out by the municipality concerned with the support of a grant-in-aid from the Province of a proportion of the cost. In general, cost-sharing with rural municipalities in this type of project is similar in principle to that which has been in effect with respect to roads.

In those areas which experienced the most severe and recurrent flooding conditions drainage maintenance districts were organized. Here again, the work of maintaining the drains has been done under a provincial-municipal cost-sharing arrangement.

The chief defect in the system of drainage maintenance districts is that they have authority only to maintain but not to build drains. Construction depends upon negotiation and agreement between individual municipalities. A municipality is under no obligation to provide drainage of lands but may do so at the urging of its residents. A municipality is not responsible in any way to participate in a drainage project which is required by a neighbouring municipality for the protection of its lands. Water, however, is no respecter of municipal boundaries.

With a view to providing an inter-municipal authority for drainage construction, the Legislature enacted in 1959 The Watershed Conservation Districts Act (c. 70) to permit the establishment of watershed conservation districts. Under this legislation, a proposal is prepared by the Province for the approval of all the municipalities or parts thereof within a watershed. Such a district, when established, is given power to issue debentures for the payment of capital construction costs and to levy the amount required over the district. To date, no watershed conservation districts have been established. This is due to a number of reasons, including the reluctance of municipalities situated in various parts of the watershed to co-operate because of lack of appreciation of benefit for their own residents.

Drainage works, like roads, may be classified as local or general, depending on whether they serve lands within a municipality or in a larger area. It

seems to us that the division of responsibility for drainage, as between Province and municipality, could be settled along the lines which we recommend with respect to roads and bridges in rural municipalities. We recommend that the Province assume the complete control and cost of the main system of trunk drains and that the municipality assume the entire cost and responsibility for local drains which serve mainly the land within its boundaries. It is probable that such a division would increase municipal costs of drainage. The economic loss from flooded agricultural lands has been very heavy and may well be so again. The proposal which we make should meet the problem more effectively and if the Province assumes costly services of a more general usefulness, it is appropriate that the municipalities should bear the full cost of those services which are of direct benefit to their taxpayers.

Government action relating to the problem of supply of water is of more recent origin. The Manitoba Water Supply Board Act (S. M., 1959, c. 69) established a Board empowered to supply municipalities with potable water, and for this purpose to construct storage reservoirs, treatment plants and transmission facilities to the edge of any municipality with whom an arrangement to provide water has been made. Distribution systems within the area concerned are a municipal responsibility. Several systems under this legislation are now in operation or in varying stages of development. This provincial-municipal undertaking conforms to the principle of a clear division of responsibility and as it is of local benefit, the municipality concerned is ultimately responsible for payment of the cost.

#### Assessment and Planning

Assessment of real property is the base on which municipal taxation rests and it seems right that the full cost should be borne by the municipalities. As matters stand now, cities and towns which carry out their own assessment (Brandon, Portage, Flin Flon, The Pas, Dauphin, Selkirk and Metropolitan Winnipeg) pay the full cost while others use the provincial assessment service at half cost. We believe that everyone should pay the entire cost and that all assessment ought to be carried out by the provincial staff. Reasons that lead us to the latter conclusion are given in Chapter VI, Part C.

The Provincial Government supplies a planning service to those municipalities outside the Metropolitan Winnipeg area which request it. At present the service is used in municipalities representing about 25 per cent of the population outside Metro. The cost to the municipality is 30 cents per capita per annum, which is equivalent to about 25 per cent to 35 per cent of the total cost. Planning is one of those services which benefits the people and property within a municipality and therefore, it should be paid for by the real property taxpayers. The provincial regional service should provide expert planners at regional centres which would be available for use as required by individual municipalities at their expense. By this means no municipality will have to maintain its own planning staff.

#### Co-operative Responsibilities

##### The Public School Levy

Many pathetic and almost bitter complaints were made to us by municipal councillors about having to levy and collect school taxes without having any power of control over the amount. This complaint is as old as local government

in Canada. The possibility of giving municipal councils some power to limit the school levy is considered further in Chapter VI, Part B. At this point we are concerned only with the levy and collection of the tax. It would seem to be undesirable that school boards should bill and collect their taxes separately from municipal taxes.

### The Metropolitan Levy

This, of course, is a responsibility only of the area municipalities of Metropolitan Winnipeg.

### Municipalities as Provincial Agents

The proposed clear separation of municipal responsibilities and finances from those of the Province is not incompatible with provincial use of a municipal council, its staff and facilities to perform some provincial services which cannot be done as cheaply or effectively from a regional office. To prevent a new proliferation of shared programs, we have suggested that delegation of function by the Province, or its agencies, to municipalities be done upon specified terms which recognize that the municipality is acting as agent of the Province and not as principal. An example at present is the collection by the municipality of individual hospital premiums for the Manitoba Hospital Commission, for which the latter pays a commission. Such services, unless nominal, should be paid for at agreed rates. Conversely, with the establishment of regional centres of provincial administration, it should be practicable to permit municipalities to use, on a fee basis, the services of provincial experts available at the regional centre.

## CHAPTER IV

### REGIONAL ADMINISTRATION OF THE PROVINCIAL AND INTER-MUNICIPAL SERVICES

#### Recommendation 4

PROVINCIAL DECENTRALIZED SERVICES. TO IMPROVE ADMINISTRATION BY THE PROVINCE OF THOSE GENERAL SERVICES WHICH HAVE HERETOFORE BEEN ADMINISTERED IN WHOLE OR IN PART BY THE MUNICIPALITIES BUT ARE NOW TO BE TRANSFERRED, AS WELL AS THE GENERAL SERVICES WHICH MANY DEPARTMENTS OF THE PROVINCIAL GOVERNMENT HAVE BEEN PROVIDING THROUGH REGIONAL OR BRANCH OFFICES AND STAFFS, IT IS PROPOSED THAT THE PROVINCE BE DIVIDED INTO ELEVEN DEFINITE ADMINISTRATIVE REGIONS. EACH REGION EXCEPT REGION TEN WILL COMPRISE THE ENTIRE AREA OF A NUMBER OF CONTIGUOUS RURAL MUNICIPALITIES AS NOW OR HEREAFTER CONSTITUTED AND THE CITIES, TOWNS AND VILLAGES WITHIN THEM AND BE DESIGNED TO ENABLE THE PEOPLE OF THE REGION TO RECEIVE IN CO-ORDINATED FORM AND FROM A DESIGNATED CENTRE ALL THE SERVICES OF THE VARIOUS DEPARTMENTS WHICH THE PROVINCIAL GOVERNMENT CONSIDERS RESPONSIVE TO SUCH DECENTRALIZATION.

REGION TEN (NORTHERN) AND REGION ELEVEN (GREATER WINNIPEG) ARE UNIQUE AND THE SAME STANDARDS CANNOT BE APPLIED IN THESE REGIONS. THEY ARE DEALT WITH SEPARATELY.

#### Recommendation 5

REGIONAL INTER-MUNICIPAL COUNCILS. THE PROPOSED REGIONS SHOULD BRING TOGETHER THE MUNICIPALITIES OF EACH REGION IN A REPRESENTATIVE MUNICIPAL COUNCIL TO BE KNOWN AS THE REGIONAL COUNCIL, WHICH WOULD PROVIDE A FORUM FOR DEVELOPING VOLUNTARY PLANS FOR INTER-MUNICIPAL WORKS AND PROJECTS AND MATCHINERY FOR THE SETTLEMENT OF DISAGREEMENTS WITH RESPECT TO SUCH PLANS BY THE MUNICIPAL BOARD.

#### Recommendation 6

PROVINCIAL-MUNICIPAL REGIONAL CO-OPERATION. THE PROPOSED REGIONS SHOULD SET UP MACHINERY FOR THE JOINT ADMINISTRATION OF PROVINCIAL-MUNICIPAL PROGRAMS SUCH AS REGIONAL HOSPITAL ADMINISTRATION, HEALTH, WELFARE AND OTHER REGIONAL SERVICES IN WHICH LOCAL PARTICIPATION MAY ASSIST THE PROVINCIAL ADMINISTRATION. THIS USE MIGHT EVEN BE EXTENDED TO PROVIDE MUNICIPAL PARTICIPATION IN PROGRAMS SPONSORED PARTLY BY THE FEDERAL GOVERNMENT. MUNICIPAL PARTICIPATION WOULD BE PROVIDED THROUGH THE REGIONAL COUNCIL OR ITS NOMINEES.

#### Recommendation 7

ESTABLISHMENT OF REGIONS. THE PROVINCE SHOULD TAKE THE INITIATIVE IN ESTABLISHING REGIONAL BOUNDARIES AND CENTRES AFTER THE PATTERN PROPOSED IN THE TENTATIVE DIVISIONS DESCRIBED IN THE



MAPS AND TEXT OF THE REPORT BY ESTABLISHING A REGIONAL BOUNDARY COMMITTEE COMPOSED OF THE MINISTERS (OR THEIR REPRESENTATIVES) OF THE DEPARTMENTS WHICH ARE NOW MOST ACTIVE IN PROVIDING REGIONAL SERVICES, TOGETHER WITH REPRESENTATIVES OF RURAL AND URBAN MUNICIPALITIES.

#### Recommendation 8

REGIONAL BUILDING AND FACILITIES. THE PROVINCE SHOULD TAKE RESPONSIBILITY FOR PROVIDING A PROVINCIAL-MUNICIPAL REGIONAL CENTRE WITH ACCOMMODATION FOR PROVINCIAL SERVICES AND REGIONAL COUNCIL AND COMMITTEE MEETINGS.

#### Recommendation 9

REGIONAL ADMINISTRATIVE OFFICER. A REGIONAL ADMINISTRATIVE OFFICER DIRECTLY RESPONSIBLE TO THE PREMIER OR EXECUTIVE COUNCIL RATHER THAN TO THE HEAD OF A DEPARTMENT SHOULD BE APPOINTED FOR EACH REGION, WITH THE DUTY OF CO-ORDINATING THE REGIONAL ADMINISTRATION OF ALL RELATED PROVINCIAL SERVICES, OF SERVING WITHOUT VOTE ON THE REGIONAL COUNCIL AND PROVIDING LIAISON BETWEEN THE PROVINCIAL ADMINISTRATION AND THE REGIONAL COUNCIL.

#### Recommendation 10

COMPOSITION OF REGIONAL COUNCILS. THE REGIONAL COUNCIL SHOULD BE COMPOSED OF REPRESENTATIVES OF ALL OF THE RURAL MUNICIPALITIES, CITIES, TOWNS AND INCORPORATED VILLAGES WITHIN THE REGION, APPOINTED FROM MUNICIPAL COUNCILS OR GROUPS OF MUNICIPAL COUNCILS IMMEDIATELY AFTER THE PROPOSED BIENNIAL ELECTIONS AND TO SERVE DURING THEIR TENURE AS MUNICIPAL COUNCILLORS AND TO BE ELIGIBLE FOR RE-ELECTION. THE MUNICIPALITY OR MUNICIPALITIES REPRESENTED SHOULD PAY THE FEES AND EXPENSES OF THEIR REPRESENTATIVE. REGIONAL COUNCILS SHOULD SETTLE THEIR OWN PROCEDURES.

#### Recommendation 11

ORGANIZATION OF REGIONAL COUNCIL. THE GOVERNMENT, PREFERABLY THROUGH THE MINISTER OF MUNICIPAL AFFAIRS, SHOULD TAKE THE INITIATIVE IN CONVENING MEETINGS OF THE MUNICIPAL COUNCILS IN EACH REGION FOR THE PURPOSE OF ELECTING FROM AMONG THEM THEIR REPRESENTATIVES TO THE FIRST REGIONAL COUNCIL.

#### Recommendation 12

INTER-MUNICIPAL PROCEEDINGS IN REGIONAL COUNCILS. THE REGIONAL COUNCIL WOULD BE CHARGED WITH THE RESPONSIBILITY AND DUTY OF CONSIDERING APPLICATIONS WHICH MAY BE MADE TO THE REGIONAL COUNCIL BY ANY ONE OR MORE OF ITS CONSTITUENT MUNICIPALITIES FOR THE PROVISION OF INTER-MUNICIPAL SERVICES OR THE UNDERTAKING OF INTER-MUNICIPAL WORKS OR PROJECTS WHICH WILL BENEFIT OR AFFECT ANY TWO OR MORE OF THE REGIONAL MUNICIPALITIES AND

IS WITHIN THEIR JURISDICTION AND COMPETENCE, AND COMES WITHIN THE FOLLOWING CATEGORIES OF INTER-MUNICIPAL SERVICES OR WORKS OR SUCH OTHER CATEGORIES AS THE COUNCIL MAY BE AUTHORIZED TO CONSIDER BY UNANIMOUS AGREEMENT OF ITS MEMBERS, OR BY PROVINCIAL LEGISLATION, NAMELY: PUBLIC WORKS, UTILITIES, DRAINAGE PROJECTS, FIRE AND POLICE PROTECTION, RECREATIONAL FACILITIES, LIBRARIES, ELDERLY PERSONS' HOUSING, PLANNING OF LAND USE AND ECONOMIC DEVELOPMENT.

IF AFTER HEARING THE APPLICANT AND THE MUNICIPALITIES AFFECTED BY THE APPLICATION THE REGIONAL COUNCIL IS UNABLE TO EFFECT A VOLUNTARY AGREEMENT AMONG THEM, THE REGIONAL COUNCIL SHALL HAVE POWER TO FORMULATE A PLAN FOR THE PROPOSED SERVICE, WORK OR PROJECT (OR PART THEREOF) DESIGNATING THE MUNICIPALITY OR MUNICIPALITIES TO CARRY OUT THE PLAN, AND APPORTIONING THE COSTS. UPON RECEIVING NOTICE OF THE PLAN AND COST, ANY MUNICIPALITY, UPON NOTICE TO THE OTHER MUNICIPALITIES CONCERNED AND TO THE REGIONAL COUNCIL, MAY APPEAL TO THE MUNICIPAL BOARD TO REJECT, MODIFY OR APPROVE THE PLAN, WHICH THE BOARD SHALL HAVE POWER TO DO. THE PLAN AS PROPOSED BY THE REGIONAL COUNCIL, IF NO APPEAL IS TAKEN WITHIN A SPECIFIED TIME, OR IF AN APPEAL IS TAKEN, THE PLAN, AS SETTLED BY THE MUNICIPAL BOARD, SHALL BE OBSERVED AND PERFORMED BY THE MUNICIPALITIES CONCERNED AND MAY BE ENFORCED ACCORDINGLY.

### Introduction

In Chapter II a description of the interlocking provincial-municipal services was presented and followed by a summary of the 30-odd administrative divisions into which the province has been divided. This growth by itself was sufficient to suggest that these largely unrelated departmental divisions ought to be replaced by some more co-ordinated plan of decentralized provincial service. There were other and equally strong reasons for proposing the division of the province into regions, somewhat as illustrated in Map 2.

Your Commission is conscious of the need of some body to take care of a growing list of inter-municipal functions and notes that the Municipal Enquiry Commission recommended the creation of regional councils and that the two municipal associations endorsed the idea. Both a rational scheme of provincial decentralization and a regional council to discharge inter-municipal functions are compelling reasons for regions, but perhaps neither of them carry the urgency of a third factor.

The third reason relates to the joint administration of programs, such as health services, by the Province and municipalities. For example, part of the province is divided into hospital districts and part is not, and within many of the districts existing hospitals are largely unrelated to each other. Health units which also cover only part of the province are administered by local boards that are separate and distinct from hospital boards. Clearly, these services ought to be brought to the people in the most efficient manner possible.

All of these functions, provincial decentralization, inter-municipal activity and integrated provincial-municipal programs including health services can be

set in a regional framework. However, we are convinced that they can be discharged without creating a third level of government and we therefore oppose the granting of taxing powers to regional councils.

### Regional Organization

In order to translate the regional plan from theory into fact, your Commission has applied it to the province on an experimental basis with results as illustrated in Map 2 contained in the pocket of this Report. Map 3 illustrates the regional idea based on a consolidation of rural municipalities with the minimum standards of assessment and population as recommended in Chapter IX. There are, of course, other possible regional boundaries that would be as good or perhaps better than the ones suggested here. Map 2 should be revised by a committee of Ministers, or their representatives, of provincial departments already providing decentralized services, together with representatives of municipalities. Once the final boundary lines have been drawn the Department of Municipal Affairs should be given the responsibility for creating the first regional councils. The proposed composition of these councils is given in detail at the end of this chapter but the general principles which should be followed can be illustrated by reference to Region One.

Ideally, all rural municipalities, incorporated towns and villages should be represented.<sup>1</sup> This has proven impossible since it would mean a council of 20 or more in most regions and a group of such a size would not likely be effective. The compromise that has been effected is as follows. Rural municipalities have been grouped together, roughly on the basis of the enlarged units shown in Map 3 and recommended in Chapter IX. Villages have been included in the group as have towns of less than 1,500 population. Towns of over 1,500 people have been given separate representation and cities have been assigned two representatives each.

The first council for Region One would be chosen as follows. Each group, that is, Brenda, Winchester, Deloraine, Napinka and Waskada for example, would assemble their municipal, village and town councils all together at a time and place designated by the Department of Municipal Affairs and would elect collectively from their councils the designated number to be the representatives of the area. Every other group would follow the same procedure at the same time. All elections would take place immediately after the regular municipal elections and the term of office would be two years. Elected representatives would continue to serve on their home council but should receive additional remuneration and out-of-pocket expenses. We suggest an increase of 50 per cent over the regular indemnity.

<sup>1</sup> Where a Local Government District is included in a region, the vote for the representative on the regional council should be cast by the nominee of the advisory committee where such exists, or by a delegate specifically chosen for the purpose at a public meeting of the citizens.

REGION ONE  
REGIONAL CENTRE - VIRDEN

	RM T V	1961 Population	1964 Equalized Assessment \$'000	Number of Representatives on Regional Council
Edward	RM	1,211	1,669	2
Arthur	RM	1,116	2,156	
Melita	T	1,038	1,038	
		3,365		
Brenda	RM	1,409	2,923	2
Winchester	RM	1,372	2,152	
Deloraine	T	916	1,031	
Napinka	V	178	97	
Waskada	V	297	328	
		4,172		
Albert	RM	952	1,822	2
Cameron	RM	1,016	1,967	
Hartney	T	592	570	
		2,560		
Archie	RM	1,052	1,473	2
Wallace	RM	2,535	3,332	
Woodworth	RM	1,745	2,279	
Elkhorn	V	666	506	
		5,998		
Pipestone	RM	2,767	4,429	2
Sifton	RM	1,054	1,292	
Oak Lake	T	430	315	
		4,251		
Virden	T	2,708	3,167	1
Total		23,054	32,546	11

RM - Rural Municipality  
T - Town  
V - Incorporated Village

Region One, for purposes of illustration again, may now be examined in terms of its main functions.

#### Decentralized Provincial Services

Your Commission proposes that the Province provide in each regional centre (Virden in the case of Region One) a provincial-municipal building to house the offices and staffs of the various decentralized provincial activities, that is, highway services, agricultural representatives, home economists, welfare officers, assessors, social workers, representatives of the Manitoba Hospital Commission, health officers and so on. We envisage in particular that the Department of Municipal Affairs will have available at the regional



centre, planning, auditing and legal services on a full or part time basis which will be available to any municipality at cost. The building might well be modelled on the existing provincial building at The Pas

This decentralized system should be much more than a mere collection of departmental officers, each responsible to a different master and each pursuing his own task and developing programs without reference to the activities of other departments. For example, there is every reason for the closest collaboration between officers of the Department of Health and of the Department of Welfare, both of whom may be serving many of the same people but from different points of view. The same holds true for many other services. However, the departmental approach is strong and of course cannot be supplanted without damaging the principle of a clear chain of command and of political responsibility for administrative acts.

Within this context much can be done to co-ordinate activities. We suggest that a regional administrative officer be appointed in each region, that he be directly responsible to the Premier and that he have as his task the maximum possible integration of all related provincial services. In the past, no one department, not even Municipal Affairs, has been concerned with the full range of local activity. Each local authority has had to deal with a multiplicity of departments and provincial agencies. The regional administrative officer should provide a useful bridge between the provincial and the local governments and should be made, ex officio, a member of the regional council but without voting rights.

This problem of relationship between departments of the senior government and local authorities received a great deal of attention from the Royal Commission on Local Government in Greater London, which reported in 1960. The Commission said on this subject:

NOTE "The thing that came out most clearly from the evidence of the government departments was that they have in general, with the exception of the Ministry of Housing and Local Government, very little concern with the well-being and efficiency of the system of local government taken as a whole. They are mainly concerned with ends, to which local authorities are one possible means among others; that is to say, their main function is to ensure that certain national services, which are in part administered by local authorities, are properly performed in accordance with national standards. The Ministries therefore could tell us a great deal about standards and techniques in, (for instance) education, the personal health services and the welfare services, and about the relative success or failure of different local authorities. But they had reflected little (if at all) on the place of each service in the system of local government, or on the effect upon the metropolitan boroughs and county districts of the gradual erosion of their powers, and they were in general not in a position to help us with the most difficult part of our task." <sup>2</sup>

<sup>2</sup> The Royal Commission on Local Government in Greater London, 1957-60. London, Her Majesty's Stationery Office, 1961. p. 53.

We do not suggest that this comment is applicable to the more intimate relationships which exist in Manitoba between departmental and local officials, but raise the possibility of such attitudes to support our conclusion that provincial policy will be administered with more integration and unity if it is carried out entirely by provincial officers operating on a regional basis rather than by the delegation of part of the service to municipalities. Hence our advocacy of separation of functions.

Decentralization, wherever possible, of provincial functions to a regional centre will, we think, bring about substantial benefits for all regions. It should make possible a close relationship between the civil servants charged with the duty of administering a particular service and the people who have authorized the service through the Legislature and paid for it through their taxes. It is not desirable, either on grounds of efficiency or responsiveness to the public will, that the ever-increasing public service should be largely centered in Winnipeg. Manitoba is unique among the Canadian provinces in that it is dominated by one large city and unlike Saskatchewan does not have a Saskatoon to balance Regina or, as in Alberta, a Calgary to balance Edmonton. Removal from the capital of provincial functions may contribute substantially to the growth of regional centres which may in time act as a counter-balance to the centralizing effects of one large metropolitan area with over half the provincial population.

#### Inter-Municipal Works

The regional council will have its headquarters in the provincial-municipal building and the expense involved for accommodation and service should be billed to the participating municipalities in accordance with their equalized assessment. The same principle would hold for payment of additional indemnities to councillors.

One of the chief tasks of the regional council will be the promotion of works of an inter-municipal character. How much activity is inter-municipal depends to some extent on the size and taxable capacity of individual municipalities. While this question is discussed in more detail in Chapter IX, it should be noted here that we expect the regional councils to be based, at first, on the existing municipal units.

Whether it is based on large or small municipalities the regional council will be useful for a number of purposes. However, it should not be forgotten that the initiation of projects will come from the individual municipalities not from the regional council. For example, the construction of municipal senior citizens' homes usually requires participation of more than one municipal unit and should be looked after by the regional group. Evidence presented to your Commission at both Dauphin and Brandon indicates that 'urban sprawl' can best be dealt with through the region. Fire and police protection is another function that may well develop on a regional basis. Some regional councils may consider it desirable to set up a committee on economic development to co-operate with the Department of Industry and Commerce. While it has not been possible to make the regions correspond to natural watersheds, the regional council or councils will provide the clearing house for local drainage projects requiring the co-operation of two or more municipalities or two or more regions.

The Municipal Board is to play a large role in inter-municipal undertakings. This is recommended for several reasons. It is quite impossible to construct a council that will give equal weight to urban and rural opinion and, while there is not necessarily an inevitable conflict between the two, an impartial referee seems called for. The Municipal Board can also play a useful role in apportioning costs between participating units since it has detailed records of assessment and access to other expert knowledge.

#### Provincial-Municipal Administration - The Example of Health Services

The administration of almost all decentralized provincial services will be improved by the advice and guidance of people who live in the particular area and know its problems. The regional council will be a logical group to give this advice and guidance. Your Commission expects that local participation will be valuable in such activities as provincial physical fitness and recreation programs, community planning, economic development, health and welfare services and many others.

Participation by regional councils in the administration of health services may be clarified by examining this aspect of Region One. Region One as planned will take in all of the Deloraine Hospital District, all but a very small portion of the Virden District, and parts of both the Souris and Hamiota Districts. Four townships of the Rural Municipality of Woodworth are not in any district. Hospitals are located at Elkhorn, Virden, Reston, Hartney, Melita, and Deloraine, and each of these has a local administrative committee responsible, in theory, to the existing district board. Part of Region One is also in a local health unit and a part is in a local laboratory and x-ray unit.

We propose that all these districts, areas and units be disbanded with the exception of the local administrative committees. The functions of local boards, except for the hospital administrative committees, would be transferred to a regional Health Services Board which should be composed somewhat as follows: three members from the regional council, three provincial nominees from the locality and one representative from each of the hospitals in the area. Non-municipal hospitals where they exist would, of course, be represented. The Health Services Board would be advised, and the routine administration would be done, by a superintendent or administrator with the necessary staff appointed and paid by the Department of Health. The Board would be expected to receive budgets from the local administrative committee of each hospital and to certify them for submission to the Manitoba Hospital Commission. It would also make recommendations to the proper authorities on expansion of existing hospitals and the construction of new ones.

Evidence presented to your Commission and its own on-the-spot enquiries indicate that there has been a lack of co-ordination of health facilities and, while it will take some time to achieve an integrated relationship between the various services, we think that progress to this end can best be made through regional boards. While the boards should begin with the functions of hospital districts, local health units, diagnostic units, and medical nursing units, their advisory and administrative functions might be expanded to include various other aspects of public health such as convalescent homes and other domiciliary facilities. Eventually, welfare services may also be brought under the regional framework of joint provincial-municipal administration.

## Federal-Provincial-Municipal Programs

Regional centres could be useful in the local administration of regular federal programs. They might also be used as headquarters for special projects such as those approved under the Agricultural Rehabilitation and Development Act or for revised census districts.

The regional centre might also prove useful in local administration in giving effect to various projects in which all three levels of government, federal, provincial and municipal, participate, for example, civil defence. While we have not made a detailed examination of the projects that would fit into this scheme, it would appear to us that the advice and co-operation of elected regional councillors and of professional civil servants centred in these regions should be valuable in any such projects.

## Northern Region

Our general principles cannot be applied to the northern area (Region Ten), although it contains a number of populous but isolated mining towns and other settlements.

Municipally, this area is governed for the most part by provincial government administrators and their supervisor. Educationally, it is served by a variety of schools governed by elected school boards in some instances, by a provincial official in others, and even federal officials in the case of Indian schools.

One of the most recent steps in the field of health by the Provincial Government in most of this area was the establishment of the northern health services section of the Department of Health. A major aim of this section has been to create greater interest in the importance of good health. To this end, a medical director, stationed at The Pas, has been encouraging the development of community health committees.

## The Home Region (Greater Winnipeg)

This Region is discussed in detail in Chapter X.



Proposed Composition of Regions Two to NineREGION TWOREGIONAL CENTRE - BRANDON

	RM T V C	1961 Population	1964 Equalized Assessment	Number of Representatives on Regional Council
			\$'000	
Glenwood	RM	930	2,002	1
Whitehead	RM	1,191	1,723	
Daly	RM	3,434	2,819	
		5,555		
Cornwallis	RM	4,715	5,843	1
Elton	RM	1,684	3,057	
Oakland	RM	1,014	2,303	
Wawanesa	V	456	443	
		7,869		
Morton	RM	1,538	3,052	1
Whitewater	RM	1,279	2,729	
Boissevain	T	1,303	1,807	
		4,120		
Riverside	RM	1,354	2,066	1
Roblin	RM	1,294	2,184	
Turtle Mountain	RM	2,002	3,169	
Cartwright	V	482	420	
		5,132		
Argyle	RM	1,944	2,574	1
South Cypress	RM	946	1,718	
Strathcona	RM	1,759	1,651	
Victoria	RM	1,620	2,068	
Glenboro	V	797	779	
		7,066		
Brandon	C	28,166	35,136	2
Killarney	T	1,729	2,204	1
Rivers	T	1,574	1,452	1
Souris	T	1,841	1,865	1
Total		63,052	83,064	10

RM - Rural Municipality

T - Town

V - Incorporated Village

C - City

REGION THREE  
REGIONAL CENTRE - MORDEN

	RM T V	1961 Population	1964 Equalized Assessment	Number of Representatives on Regional Council
			\$'000	
Louise	RM	2,017	3,655	1
Pembina	RM	2,907	4,525	
Crystal City	V	542	525	
Manitou	V	863	1,063	
Pilot Mound	V	802	754	
		7,131		
Roland	RM	1,508	3,948	1
Stanley	RM	4,967	4,960	
Thompson	RM	1,557	2,657	
		8,032		
Lorne	RM	3,120 <sup>1</sup>	4,674	1
South Norfolk	RM	1,961 <sup>1</sup>	2,193	
Notre Dame de Lourdes	V	560 <sup>1</sup>	446	
Somerset	V	578	499	
Treherne	V	569	573	
		6,788		
Rhineland	RM	6,003	7,785	1
Gretna	V	575	525	
Plum Coulee	V	510	490	
		7,088		
Morris	RM	3,985	8,066	1
Morris	T	1,370	1,419	
		5,355		
Dufferin	RM	2,899 <sup>2</sup>	4,614	
Grey	RM	3,105 <sup>2</sup>	4,743	
Macdonald	RM	2,983 <sup>2</sup>	9,081	1
St. Claude	V	628	431	
		9,615		
Cartier	RM	3,161	4,600	1
St. Francois Xavier	RM	694	1,329	
		3,855		
Altona	T	2,026	2,753	
Carman	T	1,930	2,237	
Morden	T	2,793	3,862	1
Winkler	T	2,529	3,220	1
Total		57,142	85,627	11
RM - Rural Municipality T - Town V - Village				

<sup>1</sup> Population figures adjusted due to the incorporation of the Village of Notre Dame de Lourdes which lies half within the R. M. of Lorne and half in the R. M. of South Norfolk.

<sup>2</sup> Population figures adjusted due to the incorporation of the Village of St. Claude within the boundaries of the R. M. of Grey.

REGION FOUR

REGIONAL CENTRE - STEINBACH

	RM T V LGD	1961 Population	1964 Equalized Assessment \$'000	Number of Representatives on Regional Council
Franklin	RM	3,112	4,885	2
Montcalm	RM	2,521	3,961	
Emerson	T	932	1,104	
Stuartburn	LGD	2,481	974	
		9,046		
DeSalaberry	RM	3,243	4,167	3
Hanover	RM	6,010 <sup>1</sup>	4,037	
La Broquerie	RM	1,454	514	
St. Pierre	V	856	577	
		11,563		
Ritchot	RM	2,509	3,181	2
Ste. Anne	RM	2,378 <sup>2</sup>	1,495	
Tache	RM	3,450	3,330	
Ste. Anne	V	831 <sup>2</sup>	451	
		9,168		
Springfield	RM	5,608	6,191	1
Steinbach	T	4,500 <sup>1</sup>	5,422	1
Total		39,885	40,289	9

RM - Rural Municipality

T - Town

V - Incorporated Village

LGD - Local Government District

<sup>1</sup> Population figures adjusted due to the enlargement of the boundaries of the Town of Steinbach which lies within the R.M. of Hanover.

<sup>2</sup> Population figures adjusted due to the incorporation of the Village of Ste. Anne which lies within the R.M. of Ste. Anne.

REGION FIVE  
REGIONAL CENTRE - SELKIRK

	RM T V LGD	1961 Population	1964 Equalized Assessment \$'000	Number of Representatives on Regional Council
Lac du Bonnet	RM	2,183	2,042	1
Whitemouth	RM	2,156	1,756	
Great Falls	V	164	133	
Lac du Bonnet	V	569	909	
Powerview	V	902	355	
		5,974		
Brokenhead	RM	3,202	3,887	1
St. Clements	RM	5,247	6,812	
Garson	V	330	113	
		8,779		
St. Andrews	RM	5,326	6,109	1
Winnipeg Beach	T	807	2,019	
Dunnottar	V	232	1,351	
		6,365		
Rockwood	RM	4,872	6,103	1
Stonewall	T	1,420	1,723	
Teulon	V	749	734	
		7,041		
Rosser	RM	1,751	3,077	1
St. Laurent	RM	1,760	773	
Woodlands	RM	2,346	3,063	
		5,857		
Coldwell	RM	1,731	811	1
Eriksdale	RM	1,173	488	
Siglunes	RM	1,619	826	
Armstrong	LGD	2,907	1,393	
		7,430		
Bifrost	RM	2,109 <sup>1</sup>	2,262	1
Gimli	RM	3,168	2,944	
Arborg	V	800 <sup>1</sup>	830	
Riverton	V	808	548	
		6,885		
Beausejour	T	1,770	2,693	1
Gimli	T	1,843	1,739	1
Selkirk	T	8,576	9,528	1
Total		60,520	65,021	10

RM - Rural Municipality    T - Town    V - Incorporated Village  
LGD - Local Government District

<sup>1</sup>Population figures adjusted due to the incorporation of the Village of Arbrog which lies within the R.M. of Bifrost.



## REGION SIX

## REGIONAL CENTRE - PORTAGE LA PRAIRIE

	RM T V C LGD	1961 Population	1964 Equalized Assessment \$'000	Number of Representatives on Regional Council
North Cypress	RM	2,304	3,627	2
North Norfolk	RM	3,269	3,165	
Carberry	T	1,113	1,097	
MacGregor	V	642	595	
		7,328		
Portage la Prairie	RM	8,079	13,074	1
Glenella	RM	1,048	1,311	2
Langford	RM	981	1,911	
Lansdowne	RM	1,485	1,865	
Rosedale	RM	2,662	2,627	
		6,176		
Lakeview	RM	800	1,255	2
Westbourne	RM	2,886	4,448	
Gladstone	T	944	1,032	
Alonsa	LGD	700 <sup>1</sup>	241 <sup>1</sup>	
		5,330		
Portage la Prairie	C	12,388	13,500	2
Neepawa	T	3,197	4,451	1
Total		42,498	54,199	10

RM - Rural Municipality  
 T - Town  
 V - Incorporated Village  
 C - City  
 LGD - Local Government District

<sup>1</sup> Estimated portions of L.G.D. of Alonsa lying within Region Six.

## REGION SEVEN

## REGIONAL CENTRE - MINNEDOSA

	RM T V LGD	1961 Population	1964 Equalized Assessment \$'000	Number of Representatives on Regional Council
Birtle	RM	1,569	2,386	2
Ellice	RM	845	899	
Miniota	RM	1,720	2,583	
Birtle	T	846	854	
Foxwarren	V	272	202	
St. Lazare	V	449	260	
		5,701		
Blanshard	RM	1,420	2,430	2
Hamiota	RM	1,266	2,484	
Shoal Lake	RM	1,327	1,989	
Strathclair	RM	2,012	2,440	
Hamiota	V	779	688	
Shoal Lake	V	774	744	
Park	LGD	1,608 <sup>1</sup>	687 <sup>1</sup>	
		9,186		
Clanwilliam	RM	835	604	2
Harrison	RM	1,697	1,974	
Minto	RM	1,080	1,587	
Odanah	RM	806	1,661	
Saskatchewan	RM	1,099	2,224	
Rapid City	T	467	324	
Erickson	V	531	471	
		6,515		
Rosburn	RM	1,499	1,724	2
Russell	RM	1,046	1,723	
Silver Creek	RM	1,188	2,101	
Russell	T	1,263	1,550	
Binscarth	V	456	410	
Rosburn	V	591	513	
		6,043		
Minnedosa	T	2,211	2,770	1
Total		29,656	38,282	9

RM - Rural Municipality

T - Town

V - Incorporated Village

LGD - Local Government District

<sup>1</sup> Estimated portions of L.G.D. of Park lying within Region Seven.

REGION EIGHT  
REGIONAL CENTRE - DAUPHIN

	RM T V LGD	1961 Population	1964 Equalized Assessment \$'000	Number of Representatives on Regional Council
Boulton	RM	979	919	3
Hillsburg	RM	1,058	764	
Shellmouth	RM	1,460	1,784	
Shell River	RM	1,837	1,904	
Roblin	T	1,368	1,675	
Park	LGD	804 <sup>1</sup>	343 <sup>1</sup>	
		7,506		
Ethelbert	RM	1,571	1,101	3
Gilbert Plains	RM	2,299	3,009	
Grandview	RM	1,886	2,504	
Grandview	T	1,057	1,024	
Ethelbert	V	556	377	
Gilbert Plains	V	849	937	
Mountain	LGD	1,450 <sup>2</sup>	651 <sup>2</sup>	
		9,668		
Dauphin	RM	3,949	4,303	1
Mossey River	RM	1,918	1,136	
Winnipegosis	V	980	524	
		6,847		
Lawrence	RM	1,332	750	3
McCreary	RM	1,111 <sup>3</sup>	1,084	
Ochre River	RM	1,391	1,308	
Ste. Rose	RM	1,521	1,171	
McCreary	V	567 <sup>3</sup>	383	
Ste. Rose	V	790	547	
Alonsa	LGD	1,500 <sup>4</sup>	516 <sup>4</sup>	
		8,212		
Dauphin	T	7,374	10,248	1
Total		39,607	38,962	11

RM - Rural Municipality

T - Town

V - Village

LGD - Local Government District

<sup>1</sup> Estimated portion of L.G.D. of Park lying within Region Eight.

<sup>2</sup> Estimated portion of L.G.D. of Mountain lying within Region Eight.

<sup>3</sup> Population figures adjusted due to the incorporation of the Village of McCreary which lies within the R.M. of McCreary.

<sup>4</sup> Estimated portions of L.G.D. of Alonsa lying within Region Eight.

REGION NINE

REGIONAL CENTRE - SWAN RIVER

	RM T V LGD	1961 Population	1964 Equalized Assessment \$'000	Number of Representatives on Regional Council
Swan River	RM	4,373	4,934	3
Benito	V	427	468	
Bowsman	V	504	316	
		5,304		
Minitonas	RM	2,221	2,818	2
Minitonas	V	606	542	
Mountain	LGD	1,450 <sup>1</sup>	651 <sup>1</sup>	
		4,277		
Swan River	T	3,163	3,934	2
Total		12,744	13,663	7

- RM - Rural Municipality
- T - Town
- V - Incorporated Village
- LGD - Local Government District

<sup>1</sup> Estimated portions of L.G.D. of Mountain lying within Region Nine.



## CHAPTER V

## PUBLIC SCHOOL EDUCATION

PART A - ORGANIZATION AND ADMINISTRATION

## Recommendation 13

PROVINCIAL PARTICIPATION. THE DEPARTMENT OF EDUCATION SHOULD ASSUME THE MAJOR RESPONSIBILITY FOR PROVIDING A BASIC MINIMUM STANDARD AND QUALITY OF EDUCATION THROUGHOUT THE PROVINCE. IT SHOULD PRESCRIBE THE BASIC CURRICULUM AND SET THE MINIMUM STANDARDS FOR INSTRUCTION, SUPERVISION, INSPECTION, LOCAL ADMINISTRATION, INSTRUCTIONAL SUPPLIES AND TRANSPORTATION OF PUPILS AND SHOULD GUARANTEE THE PROVISION OF SUCH MINIMUM STANDARDS OR 'FOUNDATION PROGRAM' IN ALL PARTS OF THE PROVINCE BY PAYING THE RESIDUAL COSTS OF THE FOUNDATION PROGRAM REMAINING AFTER CREDITING A UNIFORM LOCAL CONTRIBUTION DEFINED IN RECOMMENDATION 19 AS THE 'MANITOBA PUBLIC SCHOOL LEVY'.

## Recommendation 14

SCHOOL BOARDS GENERALLY. SCHOOL BOARDS SHOULD CONTINUE, IN CO-OPERATION WITH THE DEPARTMENT, TO PROVIDE LOCAL ADMINISTRATION OF THE FOUNDATION PROGRAM AND SHOULD HAVE THE DISCRETION AND RESPONSIBILITY TO EXTEND AND IMPROVE UPON IT AT LOCAL EXPENSE.

## Recommendation 15

SCHOOL DIVISION BOARD PARTICIPATION. IN ADDITION TO THEIR PRESENT RESPONSIBILITY FOR SECONDARY SCHOOL EDUCATION, SCHOOL DIVISION BOARDS SHOULD BE GIVEN THE EXCLUSIVE FINANCIAL AND TAXING RESPONSIBILITY FOR ALL ELEMENTARY PUBLIC SCHOOLS WITHIN THEIR RESPECTIVE DIVISIONS, AS WELL AS GENERAL ADMINISTRATIVE RESPONSIBILITY FOR SUCH ELEMENTARY SCHOOLS, BUT RESERVING TO DISTRICT SCHOOL BOARDS THE FUNCTIONS MENTIONED BELOW.

AS A NECESSARY CONSEQUENCE OF THE PROPOSED TRANSFER OF FISCAL RESPONSIBILITY, ALL ASSETS AND LIABILITIES OF THE SCHOOL DISTRICTS WITHIN THE DIVISION SHOULD BE VESTED IN AND ASSUMED BY THE SCHOOL DIVISION WITHOUT ADJUSTMENT OR COMPENSATION TO THE DISTRICTS.

## Recommendation 16

DISTRICT SCHOOL BOARD PARTICIPATION. DISTRICT SCHOOL BOARDS SHOULD CONTINUE WITH THE FOLLOWING SPECIFIC RESPONSIBILITIES:

- (a) SELECTION OF TEACHERS WITHIN SALARY SCALES AUTHORIZED BY THE DIVISION;
- (b) SUPERVISION AND CARE OF SCHOOL PROPERTY;
- (c) CONTROL OF THE USE OF SCHOOL PROPERTY FOR COMMUNITY PURPOSES;
- (d) EXERCISE OF THE STATUTORY AUTHORITY FOR RELIGIOUS INSTRUCTION; AND
- (e) ADVISING THE SCHOOL DIVISION BOARD WITH RESPECT TO SCHOOL DISTRICT AFFAIRS.

## Recommendation 17

SUPERVISION AND INSPECTION. WHEN SCHOOL DIVISIONS BECOME RESPONSIBLE FOR ELEMENTARY AS WELL AS SECONDARY EDUCATION THEY SHOULD HAVE THE PROFESSIONAL ASSISTANCE OF A SUPERINTENDENT WHOSE SALARY SHOULD BE INCLUDED IN THE FOUNDATION PROGRAM ADMINISTRATION COSTS. THE DEPARTMENT OF EDUCATION SHOULD CO-ORDINATE THE FUNCTIONS OF ITS INSPECTORS WITH THOSE OF THE DIVISIONAL SUPERVISORY STAFF.

## Recommendation 18

CHANGES IN DISTRICTS AND DIVISIONS. THE PROVINCE SHOULD REVISE THE MANY AND COMPLICATED LEGISLATIVE PROVISIONS WHICH NOW PROVIDE FOR:

- (a) THE CONSOLIDATION, UNION, FORMATION, ALTERATION AND DISSOLUTION OF SCHOOL DISTRICTS;
- (b) THE ESTABLISHMENT AND ALTERATION OF SCHOOL DIVISIONS; AND
- (c) PROPERTY AND DEBT ADJUSTMENTS

WITH A VIEW TO ESTABLISHING A PROCEDURE FOR BRINGING ANY OF THESE MATTERS BEFORE A PERMANENT COMMISSION OR BOARD, PREFERABLY THE MUNICIPAL BOARD, BY PETITION OF SCHOOL DIVISIONS, SCHOOL DISTRICTS, MUNICIPAL COUNCILS, RESIDENT ELECTORS OR BY REFERENCE OF THE MINISTER OF EDUCATION, OR BY WAY OF APPEAL FROM A DECISION OF A MUNICIPALITY. THE MUNICIPAL BOARD SHOULD BE OBLIGED TO HOLD PUBLIC HEARINGS IN THE AREA CONCERNED AND WHEN PETITIONED TO DO SO TO ORDER A POPULAR VOTE BEFORE DIRECTING ANY IMPORTANT CHANGE IN STATUS OF A SCHOOL CORPORATION. THE MINISTER SHOULD REFER TO THE MUNICIPAL BOARD THE DISSOLUTION OF ANY DISTRICT SCHOOL WHICH HAS NOT OPERATED A SCHOOL FOR TWO OR MORE CONSECUTIVE YEARS.

WE PROPOSE THAT THE DEPARTMENT OF EDUCATION CONSIDER THE APPOINTMENT OF A FULL-TIME OFFICER TO SURVEY EXISTING RURAL SCHOOL LOCATIONS AND FACILITIES WITH A VIEW TO PLANNING AND PROPOSING DESIRABLE CONSOLIDATIONS TO THE SCHOOL BOARDS CONCERNED AND TO THE MINISTER.

Introduction

Education has become one of the most important responsibilities of government. In Canada, where the British North America Act assigns this service to the provinces, one might say that it has become the most important responsibility of provincial governments and their municipal and local offshoots - most important in respect of cost and of the necessity for education in modern life. In every province local authorities, which had the initial responsibility for public school education, have been unable to keep pace with rising demands for service and with increasing costs. Provincial governments have had to come to their rescue. It is even suggested that the resources of the Federal Government should be called upon, notwithstanding that provincial priority in this field is a jealously guarded right, particularly in Quebec. In fact, the Federal Government does

make a direct contribution to the cost of higher education and is also making grants which assist in providing vocational and technical education at the high school level. For a time at least after the launching of Sputnik I, education seemed to take on international significance as an element in the competition between East and West. However, the provision of public school education is a service to be rendered basically by provincial and local governments.

Education is equally important today to individuals in Canada. This is particularly true of basic public school education which is the concern of your Commission. In the past few years, and particularly since industry has caught up with wartime shortages, it has been painfully evident in Canada, as well as in some other countries, that only those who are trained and have the skills to offer can be sure of continuous employment. Those who have nothing to offer but a strong back are in little demand in the labour market. In consequence education is more than ever the foundation of livelihood. Whether or not children recognize this significance, parents are fully aware of the necessity of equipping their children for life with a sound public school education and are prepared to make considerable sacrifice to get it. What concerns us all is that public school education of a good minimum standard should be available to children everywhere in the province and that the costs of such services should be spread over the province on some rational base of equalization.

What then is the basic difficulty about public school education? The main problem is rising costs which have fallen most heavily on the local taxpayer who has had the primary financial responsibility. All costs have risen - costs of buildings, instructional supplies, transportation, administration, and particularly costs of instruction. The foundation program salary of a qualified public school teacher now ranges from \$2,800 per annum which is the starting point for a teacher with Grade XII and one year of professional training to \$9,800 per annum for a teacher with the highest professional and academic qualifications. This is a far cry from the salaries of three generations ago when the country teacher expected only \$200 to \$300 for a whole year.

Costs are also rising because of increased school population. The extension of compulsory education to higher age levels and improvement in transportation have brought many more pupils to the high schools, and the unpredicted bulge in the birth rate which began during the last war has had the effect of raising the whole school population substantially faster than the general population. Table 1 compares the growth of Manitoba public school population with provincial population.

Costs of education are so much at the root of the problems of local government that if these costs could by some magic be made to vanish there would seem to be no serious problems of local government left for your Commission and the several similar Commissions which are at work on these questions in other provinces. Unfortunately no magic formula has been found. The costs must be paid from taxation of some kind.

We have applied ourselves, therefore, to a solution of the problem of broadening the base of taxation for the financial support of public schools so that the costs will be spread as generally as the benefits, throughout the province, in contrast to the old system by which these costs were borne only by the real property taxpayers of the locality. The inequalities of the burden of the

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earlier system as between municipalities contrasted sharply with the principle that equality of educational opportunity throughout the whole province is now recognized as the birthright of every child.

Table 1. - Manitoba Public School Population as a Per Cent of Provincial Population 1940, 1945, 1950, 1955, 1960, 1963, 1965 (Est.), and 1970 (Est.)

Year	Total Population	Elementary Enrolment	Secondary Enrolment	Total Enrolment	School Population As a Per Cent of Total Population
1940	728,000	111,932	22,479	134,411	18.46
1945	727,000	98,840	19,550	118,390	16.28
1950	768,000	106,597	19,880	126,477	16.49
1955	839,000	128,557	24,676	153,233	18.26
1960	906,000	147,941	36,397	184,338	20.35
1963 (June)	950,000	156,864	48,952	205,816	21.66
1965 (Est.)	984,000 <sup>1</sup>	160,000	62,000	222,000	22.56
1970 (Est.)	1,063,000	170,000	77,000	247,000	23.24

Source: D.B.S. Census Publications.  
Department of Education.

*allocate revenue source*  
This approach points to two obvious solutions - that of attempting to give school boards access to some general tax such as the income tax or retail sales tax with which to supplement their revenues from real property, or that of transferring to the Province, with its broad revenues from general taxes, a much greater proportion of the costs of public school education. We have chosen the second course and explain our proposals in detail later on in this chapter.

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Another problem of equal if not greater importance than the problem of costs is that of improving the quality of public school education. Today the responsibility rests upon the Department of Education and its Minister and officials who establish standard courses, prescribe the textbooks, train the teachers, set the examinations, inspect the schools and regulate building standards and teacher-pupil ratios. It also rests upon the local school boards elected in each community, that is, the 46 school division boards which raise local taxes and provide local administration within the confines of departmental policy for secondary schools, and the 1500 or more district boards which do the same for elementary schools. It appears to us that the quality of education can be substantially improved by combining elementary and secondary schools under one administration in each division. If that were done, financial and administrative responsibility for public schools in the future would rest squarely on the Department of Education and on the 46 school division boards, except for the residual administrative role preserved for district boards.

The shift of fiscal responsibility and consequently of general control over education to the Province poses another problem - that of the status of school boards. There is very general public support for the retention of school boards as independent local authorities responsible to their electorates. There was no question of their independence and responsibility when they paid the greater



what role is this?

share of the cost of public school education, but, with increasing provincial participation, they have had to yield gradually to more control and direction from above. If, for the sake of argument, the Province should pay the entire cost, school boards would become mere administrators of provincial policies and funds. It may be said that such a shift in the democratic control of public school education from the representatives of municipal electors to the provincial representatives of the same electors would not have the dire consequences that some suggest. There is not likely to be any strong divergence of opinion among the two sets of representatives and in any case it may well be that in matters of education the provincial representative will reflect public opinion as closely as the trustee.

In any case school boards, as administrators of provincial policies and funds by reason of their local election and their responsibility to the electors for the quality of their administration, would be very different from a commission of civil servants doing the same job. At the present time there are two factors which seem to us to save the independence of the school board, the one we have just mentioned, and the preservation of the power to tax by special levy. The time has not come to abolish either the election of school trustees or their power to tax. We retain each principle but with important modifications in their application.

In the next sections we consider representations for changes, both in organization and finance, which were made to us in briefs and at our public hearings and which have been put forward by earlier commissions of enquiry in this field. We then set forth in detail our conclusions about reorganization, consolidation of school districts, and incentives and procedures to encourage this process. In later sections we deal with present and recommended methods for the division of school costs between the Province and local governments and estimate the consequential saving to real property taxpayers and the increase in costs to the Province and provincial taxpayers.

#### Submissions and Studies

We have had for consideration the Report of the Municipal Enquiry Commission in Manitoba in February 1963 and some earlier reports of committees and commissions, as well as many excellent briefs and submissions, given to us at our public hearings. None of the submissions recommended that either the local administrative framework or the cost-sharing relationships between provincial and local school authorities be left as they now are. There was, however, considerable variation in the precise proposals for change. Perhaps the most radical proposal was that of the Municipal Enquiry Commission which stated in recommendation 9 (1), "The Province should now assume complete responsibility, financial and administrative, for secondary education, and eventually for all education."<sup>1</sup> As an interim stage toward eventual provincial control, the Commission recommended that the municipal financial contribution to education be through a fixed uniform mill rate levy. The joint convention of the Union of Manitoba Municipalities and the Manitoba Urban Association, held in April 1963, rejected the idea of complete provincial responsibility for education but endorsed the principle of a uniform fixed annual mill rate. The joint convention also

<sup>1</sup> Report of the Municipal Enquiry Commission in Manitoba. Winnipeg, Queen's Printer, 1963, p. 30.

recommended that all school districts including union districts be abolished and replaced by municipal school districts to administer elementary education; that municipal school district boundaries be coterminous with those of enlarged municipalities recommended in the Report of the Municipal Enquiry Commission; and that if a municipal school district requires funds in excess of those provided by the uniform levy and the provincial contribution, it should be required to submit a money by-law to the resident ratepayers to obtain approval for a special levy. In substance the Report of the Municipal Enquiry Commission and the subsequent review of it by urban and rural municipal officials make it evident that equality of taxation for education and larger units for elementary education are both generally favoured.

The formal submissions to your Commission and the evidence given in support of them contained a great deal about larger units for elementary schools and the costs of education. The great majority of educational organizations favoured larger units and a substantial number were of the opinion that elementary education ought to be placed under the secondary division boards. The Manitoba School Trustees' Association felt that centralization in the division boards would not be in the best interests of education and recommended 'modified elementary areas' to be achieved through increased emphasis on voluntary consolidation. The Urban Trustees' Association, on the other hand, favoured the centralization of elementary and secondary education under one division board and urged the acceleration of the process by every possible means. They specifically recommended a plan similar in principle to the Dauphin-Ochre scheme.

The brief of The Manitoba Teachers' Society gave evidence of careful study of educational problems, not only in Manitoba, but in other provinces. The Society recommended that school divisions be charged with administering elementary as well as secondary schools, and expressed the view, supported with a detailed plan, that the municipal share of the cost of education should be equalized as far as possible.

The question of the proper size of administrative units for public schools has received a great deal of attention in the past twenty years. The weight of opinion has been in favour of larger units. In 1945 The Special Select Committee of the Manitoba Legislative Assembly on Education reported as follows:

"The Committee, having considered the arguments, accepts the general principle of the larger unit of school administration. It considers that such units could provide a greater degree of equality of educational opportunity, particularly at the secondary level. It further considers that the administrative areas should be sufficiently large to provide a complete educational program at the elementary and secondary levels, including provision for differentiation of educational opportunity."<sup>2</sup>

Following this Committee's report, an amendment to The Public Schools Act was passed in 1946, making possible the creation of the Dauphin-Ochre School Area which was set up in January 1947. Dauphin-Ochre is based on the principle of giving to the central or area school board powers over matters of common concern to the whole area, while leaving the district boards with responsibility for certain local details. Under amendments to the Act passed in 1959 the area board has sole responsibility for all finances of both elementary and secondary

<sup>2</sup> Report of the Special Select Committee of the Manitoba Legislative Assembly on Education.  
Winnipeg, King's Printer, 1945. pp. 15-16.

schools and the district elementary boards have the power to select their teachers and to look after property maintenance of their schools. Dauphin-Ochre has been the only large area system created under the legislation although it permits the setting up of others. It was a pilot plan which has not yet been followed, possibly because of a mistaken belief that the system was expensive. It is true that taxes did rise in the first few years but this is explained by the payment out of current revenues, rather than by long term borrowing, of the capital cost of two new schools.

The question of school finance and administrative efficiency continued to be an issue and in 1951 the Legislature appointed a Committee on Provincial-Municipal Relations to study this and other problems of local government. The Committee, reporting in 1953, wrote as follows about larger units and school finance:

"It is appropriate however to point out at the beginning of our discussion of school financing that any steps toward larger administrative units for school purposes will automatically be of material assistance in reducing inequalities of property taxes as between adjoining properties, and that one of the most fruitful sources of bad feeling and misunderstanding in the present set-up is the fact that the special school levy on one small school district may be as high as 30 mills or more while in an immediately adjoining school district the special levy may be only five mills or there may be no special levy at all."<sup>3</sup>

In 1957 a Royal Commission on Education (known as the MacFarlane Commission) was appointed to examine and report on all matters pertinent to elementary and secondary education in Manitoba. In its Interim Report, presented in 1958, this Commission recommended that for the purposes of secondary education the province should be divided into 50 to 60 divisions, each with a minimum of 80 to 100 teachers and a total balanced assessment of at least five million dollars. A School Divisions Boundaries Commission was appointed in 1958 and drew up plans for 46 divisions, 45 of which have been established (see maps 4 and 5).

### Proposed Changes

#### Extension of Functions of School Divisions

The consolidation of secondary schools under 45 division boards left elementary schools largely unchanged from the horse and buggy days in which they had been built and their district boards established. Some consolidation of districts was going on steadily, but very slowly. There still are more than 1,500 district school boards, of which 978 are responsible for a country school of one room, one teacher and a few pupils distributed over many of the first eight grades. As of 30 June 1963, 259 of these district boards have closed their schools and sent their pupils to other schools. Departmental officials express the opinion that from 300 to 500 one-room schools are too remote to be consolidated into larger schools with graded classrooms. Nevertheless, there are

<sup>3</sup> Manitoba Provincial-Municipal Committee Report. Winnipeg, Queen's Printer, 1953. p. 140.

more than that number of schools of one room and others with two and three rooms which could improve the quality of their teaching by amalgamating with neighbouring schools.

Our decision, already stated, that school divisions should take financial and general administrative responsibility for elementary schools, would not affect at once the total number of school boards but would greatly reduce the number of those with full fiscal powers. This in itself would be a great simplification in financial arrangements, both for the municipalities and for the Department of Education.

So many district boards, each with taxing powers, create difficulties for rural municipalities. In an extreme case a municipality may be confronted with tax demands which require varying rates from as many as forty district school boards within its borders. The complications, not only for the municipal official but also for the taxpayer, are illustrated by the following excerpt from a 1963 tax bill of the Rural Municipality of Ste. Anne in which there are the whole or a part of 2 school divisions and 16 school districts.

Special School Levy - Impôt Special d'Écoles

SEINE RIVER DIVISION			HANOVER DIVISION		
District	Mill Rate-Taux		District	Mill Rate-Taux	
ST. RAYMOND	No. 782	7.8	BLUMENOFF	No. 64	21.7
RICHER	No. 1026	29.3	RIDGEWOOD	No. 274	54.8
WILLIAM	No. 1370	1.8	GREENLAND SOUTH	No. 893	23.0
JOFFRE	No. 1846	23.9	GIROUX	No. 1742	12.9
LORRAINE	No. 1898	Nil	MONTEZUMA	No. 2154	23.9
BARRAS	No. 1947	26.2	LANDMARK	No. 2033	22.8
ST. JOACHIM	No. 2378	80.2	GREENLAND NORTH	No. 2333	9.8
STE. ANNE-TALBOT	No. 2379	32.9			
STE. ANNE	No. 2379	27.0	SEINE RIV. DIV.	No. 14	17.5
			HANOVER DIVISION	No. 15	11.0

General School Levy - Impôt General d'Écoles

SEINE RIVER DIVISION .....	7.5 Mills
HANOVER DIVISION .....	7.5 Mills

Most municipal tax bills comprise school levies from three sources and the amount payable by the taxpayer depends not on his municipal residence but on the school division and the school district in which he lives. Firstly, there is the general levy for the division which is at the same rate for everyone living in a municipality or any part thereof lying within the division; secondly, there is the special divisional levy, for division costs not covered by the general school levy and provincial grants, which is also uniform over the whole division but varies between municipalities; and thirdly, the special district levy, for elementary school costs not covered by the general levy and provincial grants, which is different in each school district in a municipality depending on the tax resources and efficiency of the district school board. The substantial variation in this third item, for taxpayers who live in different districts and divisions but in the same



municipality, is illustrated in the tax bill excerpt above. Reference to Table 2 will illustrate the source and extent of variation that can exist in school levies within a single municipality. In each of the three selected divisions, two districts within the same municipality were chosen to show the extremes that are possible in school levies.

Table 2. - Analysis of Public School Tax Levies for Selected Districts 1962

Division-District	Estimated General Division Levy	Special Division Levy	Special District Levy	Total
<u>Fort la Bosse Division #41</u>				
High-rate District	10.0	8.8	15.3	34.1
Low-rate District	10.0	8.8	1.4	20.2
<u>Lakeshore Division #23</u>				
High-rate District	7.0	25.0	70.0	102.0
Low-rate District	7.0	25.0	8.0	40.0
<u>Tiger Hills Division #29</u>				
High-rate District	10.0	7.8	27.4	45.2
Low-rate District	10.0	7.8	1.8	19.6

It is clearly the existence of fiscally independent districts that creates the differing levies. If elementary schools were put under the financial administration of the division boards, these inequalities of tax payments could and should be evened out for the entire division by division-wide distribution of district school costs.

Varying rates among divisions which show up in this table are due to the differences in the general levies which vary under the present law in relation to the balanced assessment per teacher and the differences in the amount of special divisional levies. Our recommendations will eliminate the first, except for imperfections in assessment, and will reduce the second substantially.

*no excuse* Distance and poor roads no longer excuse such a multiplicity of school boards. Manitoba has a population of less than a million persons and an elementary school population at present of about 160,000 pupils. Most of the school population is concentrated in the southern part in an area which is not more than 250 miles from east to west nor more than 250 miles from north to south and where good roads are the rule. In the City of Winnipeg which contains about one quarter of this elementary school population, one school board alone is able to give satisfactory administration. In England and Wales in 1962 there were 146 local educational authorities who administered schools serving a school population of over seven million pupils.

There are other reasons for the concentration of fiscal and general administrative responsibilities for elementary schools in the division boards. These boards are giving satisfaction in their administration of secondary schools. There is no natural barrier between elementary and secondary education; the process is continuous and the administration might well be unified. The school division boards, as now constituted, are large enough in resources to command competent professional assistance and are small enough in the area of their

jurisdiction to be able to reflect local opinion and to permit the convenient transportation of children to central schools. We look forward to a closer co-ordination of all educational services and the development of stronger professional establishments headed by full-time superintendents to assist the divisional boards in their administration. We also look forward to more economic and efficient use of school buildings, transportation and other physical facilities.

Division board administration seems to be clearly preferable in Manitoba to the administration of schools by municipal councils or committees of council, as proposed by the Union of Manitoba Municipalities and the Manitoba Urban Association. There is the insuperable problem of boundaries and it seems more likely that, as public school education is broadened in the content of its curricula and consolidated into larger teaching units, the Province, rather than local authorities, will be called upon to provide the additional money and to take greater responsibility for administration.

#### School Districts and Residual Powers

The experience of the Dauphin-Ochre School Area indicates that financial centralization within the division can be combined with a measure of local control exercised by participating school district boards. We have not lost sight of the obvious fact that parents are entitled to keep a close watch over the education of their children, particularly at the elementary level. One way this parental concern can be expressed is in the selection of a teacher. Although teachers' contracts should be signed by the division board, it would seem to be quite practicable and desirable for the district board to interview the candidates and to make the selection, at the rates of salary established by the division's budget.

Although the district school board would cease to have the power to settle its school's budget, its advice in financial matters would be of great assistance to the division, particularly when some expansion or change was needed. As general advisers on their own school affairs the district trustees could be influential and effective.

The supervision and control of school buildings and grounds, including their use for community purposes, are matters of local interest and detail which can well be left to the local board. Maintenance budgets should be established for each elementary school within the division and the authorized funds made available for local district expenditures on requisition by the local district boards.

Finally, local district boards would be in a much better position than the division board to give effect to local demand for religious instruction under The Public Schools Act.

Some think that the loss of power of decision in financial matters would make the office of district trustees so unattractive that responsible citizens would not be willing to serve. It appears to us that the new type of district board may well attract parents and others who are more interested in the educational process and the school as a cultural and social centre than in the authority of fiscal power and the routine of business administration. Such boards may contribute much to school government. Only time and experience can settle this issue. In any event the division board with its professional staff would be able to do the entire job if it were necessary to do so.

In the following cases the school division and school district are identical in area:

Winnipeg School Division #1  
 St. Boniface School Division #4  
 Fort Garry School Division #5  
 St. Vital School Division #6  
 St. James School Division #7  
 Norwood School Division #8  
 Seven Oaks School Division #10  
 Kelsey School Division #45  
 Flin Flon School Division #46

In 1963 the nine single district divisions, each with one board for the administration of both elementary and secondary schools, included 40 per cent of the elementary pupils and 58 per cent of the balanced assessment of the province. It would seem to us that on this basis a fusion of the two kinds of boards has proven to be practicable.

#### Consolidation and Boundary Changes

It now seems to be generally accepted that remoteness is the only justification for a one-room school; otherwise, all schools should have one classroom and one teacher for each grade, particularly after the first four or five grades. This desirable change can be brought about in rural areas by the consolidation of several small schools into one larger school and by providing public transportation for the pupils. Some progress is being made in this process; for example in the year ending 30 June 1963 there were 7 new consolidations involving 23 districts. In the same year 22 districts were dissolved and 6 new districts were formed. It is evident, however, that there is still a long way to go. The following table illustrates the distribution of all operating elementary classrooms for the fall term 1962, excluding Metropolitan Winnipeg:

<u>Rooms</u>	<u>Number of School Buildings</u>	<u>Per Cent Distribution</u>
1	978	68.5
2	162	11.3
3	76	5.3
4	48	3.4
5	32	2.3
6	27	1.9
7	15	1.1
8	19	1.3
9	19	1.3
10 and over	52	2.6
Total	1,428	100.0

Source: Department of Education.

The number of children attending one-room schools has dropped from 18 per cent of the total enrolment in 1952 to 8 per cent in 1962 but there were still over 15,000 pupils involved.

Our recommendations, if accepted, should remove the main obstacles to consolidation. Mill rate differences, on account of individual school districts which create a reluctance to consolidate in low-rate districts, will disappear when the financial authority of school districts is centralized in the school divisions. Elementary costs will be spread evenly over the division at a uniform rate on the equalized assessment. The foundation program provides up to \$175 per pupil for transportation; it is only \$100 at present. Moreover, the means of transportation would be under the control of a single division board, and present problems arising out of the elementary or secondary status of pupils could be eliminated. Our recommendations on capital costs, as will be made clear later, give considerably more assistance to the construction of elementary schools of over four rooms. Finally, we consider that a greatly simplified procedure of consolidation should be adopted as is recommended for other boundary changes. Consolidations could be initiated by petition of school divisions, districts, interested citizens, municipal councils, or by reference by the Minister of Education. With some of the impediments to consolidation removed, the process could be greatly accelerated if it were the responsibility of some body or person to survey existing rural school locations and facilities with a view to planning and proposing desirable consolidations to the school boards concerned. The Department of Education ought to consider the appointment of a full-time officer to perform this function.

Our recommendation regarding the consolidation, alteration and adjustment of boundaries of school districts or divisions arises from the necessity of providing a simple and effective procedure for making such changes as are needed. In recommending a revision of the legislative provisions under which changes in district boundaries are currently effected, it is not our intention to interfere with machinery which exists and works well.

Authority to make boundary changes at the present time is given to the following:

- (1) rural municipal councils, within their territorial jurisdiction, which may by by-law form a school district or alter the boundaries of existing districts, uniting or dividing the whole or a portion thereof;
- (2) boards of arbitration where the territory involved is in more than one municipality - an arbitrator is appointed by each municipal council concerned;
- (3) school inspectors, upon the approval of the Minister of Education, for school districts in unorganized territory which are located in their inspectoral divisions;
- (4) the Lieutenant-Governor-in-Council, who may establish a limited number of School Areas, and form or readjust the boundaries of school districts in organized and unorganized territory;
- (5) the Minister of Education who, on the recommendation of the School Divisions Boundaries Commission, may change boundaries in school divisions, subject to the approval of the division board concerned and the electors; and
- (6) the Board of Reference, which may make alterations in the boundaries of school divisions, by the transfer of a school district from one division to another or from outside to within a school division.



Generally, the above-mentioned authorities are governed by many and various requirements in The Public Schools Act, dealing with the initiation of proceedings, public hearings, size of school districts, ministerial approval and resident elector approval.

We have come to the conclusion that the power to make boundary changes in school districts which lie within one municipality should remain as at present with the municipal council of the municipality concerned, but we suggest that from their decision an appeal should lie to the Municipal Board so as to make that Board the ultimate and unifying authority for boundary revisions. Other changes in school district boundaries and changes in the boundaries of school divisions should be initiated by direct application to the Municipal Board. This would eliminate all but the two authorities, the municipal council and the Municipal Board, and, by reason of the appeal from the council to the Board, the latter would be established as the permanent and single authority for the final determination of all school boundary questions. In other recommendations we suggest that the Municipal Board be given similar responsibilities with respect to municipal and other boundaries. Through this Board provincial policies could be developed and applied with the object of rationalizing municipal, school division and regional boundaries which now complicate and confuse local governments by the overlapping of jurisdictions. Furthermore, an appropriate procedure could be defined by provincial legislation. For example, the Municipal Board should be required to hold public hearings in the district or area concerned in any application. It should be given power to settle and to dispose of all matters pertaining to boundaries, adjustment of property and debts, and other rights and responsibilities of the local corporations and persons involved.

It is further proposed that, in order to retain the existing power of resident electors to resist or approve proposed boundary changes, final decisions of the Municipal Board, where no vote has been taken, should not become effective until after a short interval of time during which a vote on the question involved might be demanded by petition of resident electors. It is suggested that, if a vote is requested by a petition of not less than ten per cent of the electors in any school corporation concerned, the Board shall order such vote and adjust its decision in accordance with the result. This provision should not apply in cases where changes can now be made without electoral approval.

Decisions of the Municipal Board should also be subject to appeal to the courts on questions of law or of jurisdiction. In some provinces where there is a similar procedure and in the federal jurisdiction, an appeal is also allowed from administrative boards to the Executive Council or Cabinet. We raise this for consideration but without recommendation.

We have recommended that, as a result of the transfer of fiscal responsibilities, assets and liabilities of school districts be vested in and assumed by the division, without adjustment or compensation to the districts. Although these assets have been built and financed by the various individual school districts, they are not in any sense the property of the residents or ratepayers for the time being resident within the school district where the assets are located. They are, in every sense of the word, public property and are held in trust for the use and benefit of the present and future residents of the area within the jurisdiction of

the local authority. But that area has no fixed and predetermined limits, and it may be indefinitely enlarged or included with other areas for the purpose of local government at the will of the Legislature. A school district is, after all, a government, as distinct from a commercial corporation which can wind up its affairs, sell its assets and distribute the proceeds among its shareholders. For this reason, it seems to your Commission that so long as the residents of the particular area are not deprived of the beneficial use of the assets built or maintained for them by their school district, the management and operation of the assets by a school division, which will be, in effect, a new trusteeship, deprives them of no rights whatever and entitles them to no individual or collective compensation.

PART B - FINANCING OF PUBLIC SCHOOL EDUCATION

Recommendation 19

LOCAL TAXATION. REAL PROPERTY TAXPAYERS SHOULD CONTINUE TO CONTRIBUTE TO THE COST OF PUBLIC SCHOOL EDUCATION BUT IN REDUCED AMOUNTS. THE BASIC CONTRIBUTION, REFERRED TO HEREIN AS THE 'MANITOBA PUBLIC SCHOOL LEVY', SHOULD BE A REAL PROPERTY TAX UNIFORM THROUGHOUT THE PROVINCE AND AT THE RATE, AT PRESENT, OF 13 MILLS LEVIED UPON EQUALIZED ASSESSMENTS INCLUDING BUSINESS SURTAX ASSESSMENT AS DETERMINED BY THE DEPARTMENT OF EDUCATION. THE LEVY SHOULD BE BILLED AND COLLECTED BY MUNICIPALITIES AND PAID OVER TO SCHOOL DIVISIONS TO BE APPLIED ON THE COST OF THE FOUNDATION PROGRAM FOR THE DIVISION.

Recommendation 20

PROVINCIAL CONTRIBUTION. THE DEPARTMENT OF EDUCATION SHOULD REDEFINE THE FOUNDATION PROGRAM FOR ELEMENTARY AND SECONDARY SCHOOLS IN TERMS OF COMPLETE COST OF ALL OF ITS COMPONENTS AND SHOULD PAY TO EACH DIVISION ANY BALANCE OF THE COST OF SUCH FOUNDATION PROGRAM AFTER APPLYING TO IT THE MANITOBA PUBLIC SCHOOL LEVY.

Recommendation 21

SPECIAL LEVY. DIVISION SCHOOL BOARDS SHOULD HAVE POWER TO PROVIDE FOR BOTH ELEMENTARY AND SECONDARY SCHOOL SERVICES OF A STANDARD AND QUALITY IN EXCESS OF THOSE PROVIDED BY THE FOUNDATION PROGRAM, AND THE COST OF SUCH SERVICES OVER AND ABOVE THE COST OF THE FOUNDATION PROGRAM SHOULD BE LEVIED BY SCHOOL DIVISION BOARDS AS AN ADDITIONAL TAX AT A UNIFORM RATE UPON THE EQUALIZED ASSESSMENT, INCLUDING BUSINESS SURTAX ASSESSMENT, THROUGHOUT THE DIVISION.

Recommendation 22

REVIEW OF COSTS. A CONTINUING COMMITTEE OF REVIEW SHOULD BE ESTABLISHED BY STATUTE, MADE UP OF DEPARTMENT, MUNICIPAL AND SCHOOL BOARD REPRESENTATIVES, AND CHARGED WITH EXAMINING THE FOUNDATION PROGRAM AND AT INTERVALS OF, SAY, TWO YEARS RECOMMENDING SUCH CHANGES AS ARE NECESSARY TO KEEP MAXIMUM PERMISSIBLE COSTS UNDER THE PROGRAM IN LINE WITH ACTUAL COSTS AS WELL AS RECOMMENDING NECESSARY ADJUSTMENTS IN THE RATE OF THE MANITOBA PUBLIC SCHOOL LEVY.

Recommendation 23

CAPITAL COSTS. SO AS TO ENCOURAGE CONSOLIDATION OF SMALL ELEMENTARY SCHOOLS IN THE IMMEDIATE FUTURE THE PROVINCE SHOULD INCREASE ITS CONTRIBUTION TO THE CAPITAL COST OF CONSTRUCTING NEW ELEMENTARY SCHOOLS. ON THE BASIS OF MAXIMUM COSTS OF \$17,500 PER ELEMENTARY CLASSROOM OR CLASSROOM EQUIVALENT WE SUGGEST THE FOLLOWING SCALE OF PROVINCIAL CONTRIBUTION:

NUMBER OF CLASSROOMS IN ELEMENTARY SCHOOL BUILDING	PROVINCIAL GRANT AS A PERCENTAGE OF CLASSROOM COST ( MAXIMUM \$17,500)
1 - 4 ROOMS INCLUSIVE	40 %
5 ROOMS OR MORE, AND ALL REMOTE SCHOOLS	60 %

IF SECONDARY SCHOOL CONSOLIDATION HAS BEEN SUFFICIENTLY ADVANCED, THERE SEEMS TO BE NO GOOD REASON FOR THE PROVINCE TO CONTRIBUTE A GREATER PERCENTAGE OF THE COSTS OF NEW SECONDARY SCHOOLS THAN IS PROPOSED ABOVE FOR NEW ELEMENTARY SCHOOLS, BUT IT IS SUGGESTED THAT A HIGHER MAXIMUM BE ALLOWED FOR SECONDARY SCHOOL CLASSROOMS.

Introduction

In Canada, as in many countries, the increased emphasis that has been placed on education has caused costs to rise rapidly and steadily for the past twenty years. Table 3 traces the extent of the increase in expenditures from current revenues by Canadian school boards since 1941.

Table 3. - School Board Expenditures from Current Revenues  
1941, 1946, 1951, and 1961

Province	1941	1946	Per Cent Increase	1951	Per Cent Increase	1961	Per Cent Increase
	\$	\$		\$		\$	
	Million	Million	%	Million	%	Million	%
Newfoundland	-	-	-	4.6	-	18.7	-
Prince Edward Island	0.4	0.6	50	1.3	225	4.1	925
Nova Scotia	4.3	6.8	58	12.8	198	36.9	758
New Brunswick	3.2	4.8	50	13.9	334	29.2	813
Quebec	26.9	41.1	53	69.0	157	283.0	952
Ontario	49.3	67.7	37	136.4	177	440.2	793
Manitoba	8.9	12.7	43	18.9	112	54.0	507
Saskatchewan	10.7	16.1	50	26.3	146	69.3	548
Alberta	8.9	15.3	72	31.5	254	114.3	1184
British Col.	10.1	13.3	32	42.2	318	123.0	1180
Total	122.7	178.4	45	356.9	191	1172.7	858

Source: D.B.S. Publications.



### Division of Costs between Province and Local Governments

In Manitoba, as in other Canadian provinces, both the central government and the municipalities have had to meet continuous increases in school board expenditures. Table 4 shows the relative contributions of the two levels of government and the increase in total expenditures since 1951.

Table 4. - Provincial Grants and Municipal Levies for Public School Expenditures  
1951 - 1962

Year	Municipal School Levies	Per Cent of Total	Provincial Grants	Per Cent of Total	Total Provincial and Municipal Contributions
	\$ '000	%	\$ '000	%	\$ '000
1951	14,003	77.7	4,019	22.3	18,022
1952	15,565	76.8	4,712	23.2	20,277
1953	15,479	74.1	5,425	25.9	20,904
1954	17,214	68.5	7,931	31.5	25,145
1955	18,856	68.7	8,599	31.3	27,455
1956	20,889	70.8	8,599	29.2	29,488
1957	23,037	71.6	9,141	28.4	32,178
1958	23,352	67.9	11,034	32.1	34,386
1959	26,674	64.1	14,962	35.9	41,636
1960	30,202	60.9	19,411	39.1	49,613
1961	34,677	58.4	24,682	41.6	59,359
1962	36,576	59.1	25,354	40.9	61,930

Source: Statistical Information, Department of Municipal Affairs.  
Annual Reports 1951-1962, Department of Education.

As will be seen from Table 4, the Province has undertaken a greater share of the costs of public school education, but even the sixfold increase in eleven years in the provincial contribution has not prevented the municipal share from rising steadily in dollars. It is this rising pressure of school costs on the real property taxpayer that is the key problem. He is under equal pressure to pay for municipal services, also rising in cost. It is apparent that this kind of taxation is being pressed too far and that the Provincial Government has been conscious of the difficulty in trying to deal with it.

#### Provincial Contribution in the Past

For many years provincial aid was extended to local school districts on the basis of a fixed grant per teacher. These grants were small by present standards, and even though they were supplemented by inducement grants, the net effect of the system was to leave heavy residual costs on local taxpayers. These were met by local levies which varied in accordance with the relative amount of assessment and the level of expenditure in each school district. In 1942, for the first time, small equalization grants were paid to districts with particularly low assessments.

The Province introduced a different system of educational grants in 1947 which, with minor changes, continued until 1958. The new plan guaranteed to each school district a fixed sum, which, at the outset, amounted to \$1,400 per authorized teacher. This was raised by a general levy of six mills on the local assessment and a contribution of the balance from the Province. Excess costs

over \$1,400 per authorized teacher had to be raised by further local taxation. From time to time the grants and rates were altered so that by 1958 the guaranteed amount per authorized teacher was \$2,500, of which the local component was the equivalent of a five mill levy. Supplementary grants were also paid to secondary schools for transportation and technical education. The Manitoba Royal Commission on Education found the system deficient in several respects, and stated in its Interim Report. "This system (had) fundamental shortcomings. While it did provide a measure of equalization which was of assistance to the weaker districts, it encouraged a minimum rather than an improved standard of education."<sup>4</sup> The Commission cited examples of low or even average assessment per teacher districts where, in order to provide standards even roughly comparable to those of high assessment areas, property tax rates would have become excessive. The grant system of 1947, the MacFarlane Commission found, did little to improve educational standards and created an inequitable distribution of costs.

#### Present Method of Provincial Contribution

The financial recommendations of the MacFarlane Commission, most of which were implemented by the Government, were designed to equalize costs and encourage better standards. Progress has been made in both of these directions, but the present complicated method of sharing costs should be improved upon and the actual division of costs between provincial and municipal taxpayers has to be revised. In accordance with our recommendations, the Province must assume greater financial and administrative responsibility to assure a high uniform standard of public education throughout the province. On the other hand, we try to reduce the local share of educational costs in the interests of better municipal government. Our proposals for the future division of educational costs stem from the present system which must now be explained in order to make our proposals clear. The present system is contained in The Public Schools Act and Regulations thereunder, particularly Manitoba Regulation 74/58 and amendments thereto. The Department in a brochure describes the financial reorganization of 1959 in the following terms which we adopt:

"While the general levy on property was retained as a means of raising local money for the support of local schools, it was applied in a new way and at new levels. Instead of being a fixed mill rate applied uniformly across the Province, the levy took the form of a mill rate which varied from one division to another, though being uniform within each division. The exact rate of general levy was determined separately for each division, according to a formula which arranged for a higher rate in divisions where the balanced assessment per teacher was high.

"Under the previous grant system each school district had received a "basic grant" of \$2,500 per "authorized" teacher, with this money to be used toward all types of school expenditure. The funds out of which these grants were paid were provincial-municipal, the municipal portion being the proceeds of the 5 mill general levy, and the Provincial portion being the sum required to bring the total to \$2,500 per teacher. Under the new system the proceeds of the general levy, augmented by Provincial grants are used to pay the following five specific grants to elementary and secondary school boards:

<sup>4</sup> Interim Report, Manitoba Royal Commission on Education. Winnipeg, Queen's Printer, 1958. p. 64.

- 1. A grant toward authorized teachers' salaries, the size of the grant being determined by the teachers' qualifications and teaching experience, according to a schedule laid down by the Department of Education. (see Schedule 7, Appendix I).
- 2. A grant toward the cost of instructional supplies and library, amounting to 50% of the district's expenditures, but not to exceed \$100 per authorized elementary teacher and \$112.50 per authorized secondary teacher.
- 3. A grant toward administration costs, amounting to 50% of such costs, up to a grant of \$60 per authorized elementary teacher in districts, and \$60 per authorized secondary teacher in divisions with a minimum of \$5,000 for the division.
- 4. A grant toward maintenance costs, amounting to 75% of such costs, but not to exceed \$562.50 per authorized teacher.
- 5. A grant toward the cost of transporting pupils, amounting to 60% of such costs, but not to exceed \$100 per pupil transported.

"For grant purposes the division's Secondary Board which operates the high schools, is considered to be simply another district and receives the same types of grants as do districts. Grants to divisional Boards are slightly higher, however: the grant schedule for secondary teachers is slightly higher than is the schedule for elementary teachers; a slightly higher Library Grant is paid, and each division receives a minimum of \$5,000 towards administration costs.

"Within each division the proceeds of the general levy are paid over to the Secretary-Treasurer. To this amount the Provincial Government adds whatever is required to pay out to all districts within the division the grants to which they are entitled, having regard to the qualifications of their teachers, and their expenditures on supplies, maintenance, administration and pupil transportation. In addition, the Provincial Government contributes toward the capital costs of school authorities. In the case of elementary schools, the Provincial contribution is 40% of approved costs; in the case of secondary schools the grant ranges from 40% to 75% of approved costs, depending on the number of classrooms built in the one school.

"The grants do not cover the full operating cost of any school district. By their very nature they can not. For, excepting the grant toward teachers' salaries, each grant consists only of a percentage of the district's expenditure on a particular item; the remaining percentage must be paid by the district itself. Thus, in order to qualify for the full amount of grant to which it is entitled, a district would have to spend a minimum of \$347.50 of its own money per authorized teacher.

Operation and Maintenance	1/4 of \$750	= \$187.50
Instructional Supplies	1/2 of 160	= 80.00
Administration	1/2 of 120	= 60.00
Library	1/2 of 40	= 20.00
Total . . . . .		\$347.50

"If the district incurred capital costs or transportation costs, it would have to bear the local share of these - between 25% and 60% of capital costs, and 40% of transportation costs.

"Finally, if a district pays its teachers more than the grants which it receives for them, it must furnish the extra money itself. And if a district employs more than the authorized number of teachers, it receives no grant whatever in respect to the teachers whom it employs over and above the authorized number.

"A divisional Board which operates high schools is in the same position as the Board of a district operating an elementary school. The divisional Board too must pay its share of expenditures, since the grants cover only a portion. And if it pays its teachers more than the grants which it receives for them or hires teachers beyond the authorized number, it must pay the additional salaries itself.

"A school district obtains through a "Special Tax" on property in the district the money it requires to pay its share of costs. A divisional Board obtains, through a "Divisional Levy", imposed on all property in the division, the money it requires to pay its share of costs. Hence an individual property owner pays a school tax composed of three distinct elements:

1. The general levy imposed uniformly upon all property within the division; the proceeds of this levy, augmented by a Provincial contribution, are used to pay grants to all the school operating authorities in the division, including the district Boards which operate the elementary schools and the divisional Board which operates the secondary schools.
2. The Divisional Levy, imposed uniformly upon all property in the division; the proceeds of this levy cover the gap between the expenditures of the divisional Board and the grants which it receives.
3. The Special District Tax, imposed uniformly throughout the local school district only; the proceeds of this tax are used to cover the gap between the district's expenditures and the grants which it receives.

"In the case of the nine single district divisions, the three elements of school tax are not explicitly evident. Residents of these divisions pay a single tax which is, in effect, the sum of all three elements; i.e.: Part of their tax represents their obligation in respect to general levy; another part represents their obligation re elementary education; the third their obligation re secondary education. Since the same authority operates both the elementary and secondary schools, there is no need to levy separately for each. Furthermore, since the general levy is at a uniform rate throughout the area over which this authority has jurisdiction, it too may be combined with the special levy into a single tax rate for school purposes." <sup>5</sup>

#### Criticism of Present Method

This program of provincial 'grants' to public school costs has greatly improved the quality and availability of public school education but the time has come for another major advance. Improvement is desirable and it seems to be possible in several important respects.

Apart from the proportions to be paid by the Province and the municipalities, there are two objections to the present system: firstly, its complexity and secondly, its failure to define clearly an acceptable minimum standard or

<sup>5</sup> Department of Education. A Brief Description of the Organization of the Manitoba Department of Education and the Public Schools System of the Province of Manitoba. pp. 3-6.



foundation program in recognizable terms of complete costs of the five elements of public school operation. The confusing feature of the formula for operational grants is created by adding together the general levy which the school boards make on the municipalities and the grants paid to the school boards by the Provincial Government and calling this conceptual amount the combined operational grant. One might well conclude that the percentages set forth above of the five items of operating costs are what the Province contributes. In fact, the Province contributes to these items for each division and district only the residue, after deducting the amount of the general levy for the division and district which has already been collected by the municipalities and paid directly to the divisions, and which cannot be described as a grant. The general levy never becomes, in fact, a part of the combined operational grant nor is it paid through provincial hands. The general levy is itself uncertain, being variable in inverse proportion to the amount of the assessment per teacher.

By way of illustration of the current method, take the 'grant' for administration costs. Fifty per cent of these costs are included in the grant, with the total not exceeding \$60 per authorized teacher, and payment is made from the general levy plus provincial funds. The other 50 per cent plus an increase over the \$60 per teacher has to come from a special levy. If the actual costs are \$150 per teacher, \$90 of these costs have to be raised by the special levy, which will be a municipal tax paid directly to the school board. The remaining \$60 will be paid partly from the general levy which also has been raised by the municipality and paid over to the school board. The final balance then left to be paid will be the provincial grant.

What we propose will remove two of the complicating features of the formula for provincial grants. It would be simpler if the Province first defined the amount which it would recognize as necessary to provide a foundation program of operating services in each of the five major categories, instruction, supplies, administration, maintenance and transportation, and undertook to pay a grant related directly to the full maximum cost. This is one of the basic changes which we propose. The application of the formula will also be clearer when the general levy is a levy at a fixed rate throughout the province as we propose, rather than a levy which is variable depending upon the relationship of assessment per authorized teacher.

In addition to these difficulties in applying the present formula, there is another complicating factor which our program will remove. It is the multiplicity of school districts sharing in provincial grants, each with its own budget and its own tax rate. Our recommendations provide for one uniform rate of special levy on the equalized assessment in each division for all of these schools. Another source of confusion for which we see no immediate remedy is the overlapping of the accounting periods of the Province and of the school boards, which makes it difficult for a school board to determine what the Province has actually paid to it with respect to any particular item of its costs for a given period. Finally, further simplification will only be achieved when divisions and municipal boundaries are made coterminous.

One must bear in mind that at present there are four separate elements contributing to the full costs of public school education, two of these elements being provincial contributions and two being municipal.

Municipal contributions are:

- (1) the general levy on real property, which is uniform within each division and begins with a basic rate of five mills on the balanced assessment and rises to as much as 13 mills in the wealthiest municipalities; and
- (2) the special levy, which picks up all costs of the foundation program which are not paid for by the general levy and provincial grants, as well as the costs of educational services in excess of foundation program standards or not included therein.

The provincial contributions are:

- (3) the provincial operational grants, which are the amounts required to meet the stated percentages of costs of the foundation program after deducting the general levies; and
- (4) provincial grants for capital items, which are for costs of construction, textbooks, school buses, and some miscellaneous items, and are clearly defined, understandable and acceptable in their present form, subject to revision of the percentages as stated later.

Table 5. - Provincial and Municipal Contributions to Education Costs  
for 15 Selected Divisions 1962

Division	Municipal Contribution			Provincial Contribution
	General Levy	Special Levy	Total Municipal	
	%	%	%	%
Winnipeg #1	39.9	38.8	78.7	21.3
St. Boniface #4	26.4	32.8	59.2	40.8
St. James #7	39.6	34.6	74.2	25.8
Norwood #8	43.9	35.9	79.8	20.2
Seven Oaks #10	16.9	43.3	60.2	39.8
Lord Selkirk #11	15.5	29.9	45.4	54.6
Transcona-Springfield #12	14.4	37.5	51.9	48.1
Seine River #14	6.2	28.9	35.1	64.9
Morris-Macdonald #19	25.6	35.8	61.4	38.6
Lakeshore #23	4.8	27.5	32.3	67.7
Beautiful Plains #31	14.9	32.5	47.4	52.6
Dauphin-Ochre Area #1	14.2	25.2	39.4	60.6
Brandon #40	23.8	26.0	49.8	50.2
Fort la Bosse #41	18.7	33.1	51.8	48.2
Western #47	15.4	36.1	51.5	48.5
Sample Total	30.8	36.1	66.9	33.1
Provincial Total	23.2	34.4	57.6	42.4

Note: These percentages have been calculated from statistics supplied by the Department of Education.

The best way to see the exact provincial grant content as contrasted with the municipal tax content of public school costs is to take concrete examples. This we have done in Table 5 which gives the 1962 public school costs for 15 school divisions selected as being representative of rural and urban and of high and low assessment areas. The selected divisions comprise over 50 per cent

of the total school population of the province. In this, as in all other tables to follow in this chapter, amounts and percentages take into account all costs in the division including elementary school costs.

The two extremes in the selected divisions were Norwood School No. 8, where provincial grants paid only 20.2 per cent of all public school costs as against 79.8 per cent paid from municipal taxation, and Lakeshore School Division No. 23, which got 67.7 per cent of 1962 school costs from provincial grants and paid only 32.3 per cent from local taxes.

Having seen the effect of the present arrangements for dividing costs, we are ready to elaborate the proposals contained in the recommendations at the beginning of this chapter.

#### Proposed Method Based on Full Foundation Program

Four principles are applied in our proposals:

- (1) A basic standard or quality of public school education ought to be available to all children in Manitoba regardless of the location in which they live. This basic standard in terms of the component expenses of operation of public schools we call for convenience the 'foundation program', an unofficial term which is used in some parts of Canada and is well known to educational authorities, school trustees and teachers.
- (2) The cost of this foundation program ought to fall uniformly on taxpayers over the whole province and, insofar as it is paid by real property taxpayers, should be raised by a general levy at a fixed mill rate applied to uniform assessments. For convenience we have called this proposed levy on real property the 'Manitoba Public School Levy'.
- (3) The residue of the cost of the foundation program, after deducting from it the Manitoba Public School Levy, should be the responsibility of the Province and be paid from general provincial taxes. Payment of this residue would be an equalizing factor between municipalities. As a result, provincial taxpayers in general would bear the cost of such equalization.
- (4) Public school education at standards in excess of the foundation program should be optional to all divisions at the sole expense of the municipal taxpayer. These levies would be equal throughout the division.

These principles require elaboration. The first consideration is to define a foundation program in terms of full cost. As the foundation program is to be available uniformly throughout the province, it is obviously the responsibility of the Provincial Government to define the program and to vary and improve it from time to time in compliance with the views of the provincial electorate and in accordance with the Government's own responsibility to provide an acceptable school education. Operating costs are the basic elements of the program. It appears, therefore, that the components of operating costs as now recognized and defined may be used, that is, instruction, supplies, administrative costs, maintenance and transportation. All that is required is to bring them up to current levels of an acceptable kind.

We propose the following costs as descriptive of a realistic standard of service to be guaranteed to all parts of the province:

- (1) authorized teachers' salaries in accordance with qualifications and experience, as shown in Schedule 7, Appendix I; (For comparison, the present scale of salaries is also shown in this schedule. The method of determining the number of authorized teachers should be amended to permit an increase in the authorization when a new course is introduced with the approval of the Department of Education.)
- (2) institutional supplies and library materials up to \$250 per authorized elementary teacher and \$300 per authorized secondary teacher;
- (3) administrative costs, including salaries of superintendents up to \$300 per authorized teacher;
- (4) maintenance costs up to \$1,000 per authorized teacher; and
- (5) transportation costs up to \$175 per pupil.

Such a definition in clear terms of maximum costs, approved by the Department of Education for operation of the foundation program, would enable each school board to appreciate how much it could do without spending beyond the general levy.

Secondly, it would be more in accord with our views if the cost of the foundation program could be paid entirely from a broadly based provincial tax. General services should be supported by general taxes. We hold the view that the use of the real property tax should be restricted as far as possible to payment for local services which are related to the value or use of the property taxed. The relationship between public school education and real property values is not so direct as to be self-evident. It is arguable that such costs ought not to be borne by the realty tax, but to accept it completely might well put an end to school boards and replace them with a form of decentralized provincial administration. We are convinced by the evidence and by our own inquiries that school boards in some form should be retained, and that they will be more effective with some residual taxing powers. Furthermore, it is unrealistic to do without some substantial contribution from real property to public school costs. There is a justification in principle for asking realty taxpayers to pay the costs in excess of the foundation program on the basis that they are giving themselves a special and local service and benefit which is not accruing to people outside their school boundaries. We therefore agree that the property owner must pay for extras above the foundation program.

With respect to the foundation program, if we accept the principle that every person is entitled to a basic minimum standard of education, it seems to follow that everyone should receive it at the same relative cost. Therefore, every municipal taxpayer, with respect to his contribution to the cost of education, should be required to pay only the same rate on his property as every other municipal taxpayer. This principle can be carried out by a levy on real property at a fixed mill rate throughout the province, if that mill rate is applied to comparable assessments. Fortunately, the machinery for such a levy is available in the equalized assessment defined in Chapter VI, Part C, which is our equivalent to the present balanced assessment.



Because the levy would provide the total municipal tax contribution to the costs of the foundation program, the residue of which would have to be paid from provincial taxes, it follows that the rate of levy fixes the provincial contribution. The rate of levy may therefore require adjustment every two or three years, depending on the trend in expenditures of municipal governments and the trend in costs of the foundation program as defined by the Province, and depending on the share of those costs which the Province considers that it should bear. A further factor would be the variation in total assessments due to the removal of exemptions. We have proposed that in settling these costs and the rate of levy, the Provincial Government should take the views of a Committee of Review made up of representatives of the Department of Education and of the school divisions.

We have recommended 13 mills as the appropriate rate at this time and on the existing assessment base for the Manitoba Public School Levy. When our recommendations for assessing all buildings for tax purposes at 100 per cent of value are put into effect, the mill rate should be correspondingly reduced to produce the same revenue. In the meantime, a rate of 13 mills seems to be appropriate to satisfy two of the major premises of our recommendations with respect to real property taxation. The first is that real property should continue to make a substantial contribution to basic public school costs, and the second is that the real property tax should be freed from the pressure of educational costs so that it will be able to support independent municipal governments. This can only be done by a very substantial transfer of educational costs from real property taxpayers to provincial taxpayers. The amount of the costs to be transferred appear later on and in the chapters dealing with municipal and provincial finance.

Thirdly, the Provincial Government, by paying the residue of the full cost of the foundation program in each school division after deducting from such costs the amount of the Manitoba Public School Levy in that division, becomes the guarantor that a basic acceptable standard of public school education will be uniformly available through the province. It is a recognition that education at this level, like welfare and health services, has no relation to municipal or school boundaries, but is a service which should be available at least at a minimum standard to people everywhere in the province.

Furthermore, by paying the residue of these costs, which will vary from one division to another depending on the assessed value of real property in the division, the Provincial Government will be providing not only a uniform standard but a measure of equalization of costs as between divisions.

Finally, the provincial obligation is discharged by providing services at the foundation standard. For those districts and divisions which wish better school facilities, both the means and the right of providing them are still available. Each division school board, at its option, can provide, unapproved courses, smaller classes per teacher than the standard number of 30 elementary and 25 secondary pupils, additional instructional supplies and library materials, and a better and higher standard of maintenance and administration, but the costs of these services, above standard costs, will have to be raised entirely from municipal funds without obligating the Province. In this way, local school government retains control of special services which are uniform throughout the division. If the scale of the standard uniform program has been properly defined by the

Province, the special levy for better than standard services should not be high. If special levies were generally high it would be evidence of the inadequacy of the foundation program.

#### Application and Effect of Recommended Program

To test the validity of the foregoing principles for redivision of the cost of public schools, they have been applied to 1962 public school costs in 15 selected sample divisions and the entire province in Tables 6 - 10. Each table shows a step of the application.

Table 6. - Actual and Proposed Foundation Program as a Per Cent of 1962 Actual Costs for 15 Selected Divisions

Division	Total Actual Costs <sup>1</sup>	Combined Operational Grant Being a Percentage of the Foundation Program	Per Cent of Total Costs	Recommended 100 Per Cent Foundation Program (estimated)	Per Cent of Total Costs
	\$	\$	%	\$	%
Winnipeg #1	17,320,697	9,306,566	53.5	12,390,670	71.5
St. Boniface #4	1,519,350	858,946	56.5	1,153,012	75.9
St. James #7	2,412,514	1,372,472	56.9	1,804,695	74.8
Norwood #8	748,889	413,242	55.2	531,344	70.1
Seven Oaks #10	2,045,618	979,101	47.9	1,391,021	68.0
Lord Selkirk #11	1,128,847	688,913	61.0	883,790	78.3
Transcona - Springfield #12	1,525,717	792,262	51.9	1,061,196	69.6
Seine River #14	992,833	592,078	59.6	801,534	80.7
Morris-Macdonald #19	701,790	385,096	54.9	532,764	75.9
Lakeshore #23	883,953	562,904	63.7	729,722	82.6
Beautiful Plains #31	832,407	519,640	62.4	685,689	82.4
Dauphin-Ochre Area #1	927,789	595,908	64.2	769,307	82.9
Brandon #40	1,768,777	1,106,422	62.6	1,451,763	82.1
Fort la Bosse #41	985,988	588,941	59.7	795,654	80.7
Western #47	352,999	212,720	60.3	281,276	79.7
Sample Total	34,148,168	18,975,211	55.6	25,263,437	74.0
Provincial Total	63,871,906	36,369,375	56.9	49,080,208	76.8

<sup>1</sup> Includes debt charges, etc. for which there are provincial grants in addition to the provincial operational grants.

In Table 6, the full estimated amount of the recommended foundation program is compared as a percentage of total actual costs with the amount of the foundation program which was financed in 1962 by general levies and provincial operational grants. Only stated percentages of the costs in the present foundation program are being met by general levies and provincial grants and it is these amounts that are compared with the recommended foundation program. Table 6 demonstrates that more of the costs will be spread uniformly not only within a division but on all property in the Province by the proposed Manitoba Public School Levy.

Table 7 illustrates the relative proportions of the recommended foundation program that will be financed by the general levy and the provincial grants.

Table 7. - Source of Funds for Recommended Foundation Program for 15 Selected Divisions

Division	Estimated Recommended Foundation Program	Estimated General Levy (13 mills on Balanced Assessment of Division)	Estimated Provincial Grants (After Deducting General Levies)
	\$	\$	\$
Winnipeg #1	12,390,670	6,859,516	5,531,154
St. Boniface #4	1,153,012	472,860	680,152
St. James #7	1,804,695	1,018,087	786,608
Norwood #8	531,344	333,140	198,204
Seven Oaks #10	1,391,021	436,169	954,852
Lord Selkirk #11	883,790	255,563	628,227
Transcona-Springfield #12	1,061,196	313,262	747,934
Seine River #14	801,534	111,592	689,942
Morris-Macdonald #19	532,764	208,033	324,731
Lakeshore #23	729,722	86,193	643,529
Beautiful Plains #31	685,689	182,086	503,603
Dauphin-Ochre Area #1	769,307	196,892	572,415
Brandon #40	1,451,763	530,899	920,864
Fort la Bosse #41	795,654	253,658	541,996
Western #47	281,276	78,908	202,368
Sample Total	25,263,437	11,336,858	13,926,579
Provincial Total	49,080,208	17,325,051	31,755,157

Table 8 carries the application of the proposed foundation program one step further by showing costs in the year 1962 beyond the foundation program and their distribution as between special levies and provincial grants for the same fifteen selected divisions and the province as a whole.

Finally, in Tables 9 and 10 we integrate the last three tables to show the estimated effect on selected school divisions and on all school divisions in the province both in terms of dollar amounts and mill rate equivalents.

Table 8. - Source of Funds for Costs in Excess of Foundation Program  
for 15 Selected Divisions 1962

Division	Costs in Excess of Foundation Program	Provincial, Capital, Text- book, and Miscellaneous Grants	Grants as a Per Cent of Excess Costs	Amount to be Raised by Special Levy	Amount of Special Levy as Per Cent of Excess Costs
	\$	\$	%	\$	%
Winnipeg #1	4,930,027	1,293,504	26.2	3,636,523	73.8
St. Boniface #4	366,338	151,826	41.4	214,512	58.6
St. James #7	607,819	206,707	34.0	401,112	66.0
Norwood #8	217,545	66,658	30.6	150,887	69.4
Seven Oaks #10	654,597	180,257	27.5	474,340	72.5
Lord Selkirk #11	245,057	102,116	41.7	142,941	58.3
Transcona - Springfield #12	464,521	161,288	34.7	303,233	65.3
Seine River #14	191,299	113,788	59.5	77,511	40.5
Morris - Macdonald #19	169,026	65,321	38.6	103,705	61.4
Lakeshore #23	154,231	78,454	50.9	75,777	49.1
Beautiful Plains #31	146,718	42,205	28.8	104,513	71.2
Dauphin-Ochre Area #1	158,482	97,824	61.7	60,658	38.3
Brandon #40	317,014	202,104	63.8	114,910	36.2
Fort la Bosse #41	190,334	71,761	37.7	118,573	62.3
Western #47	71,723	12,710	17.7	59,013	82.3
Sample Total	8,884,731	2,846,523	32.0	5,856,992	68.0
Provincial Total	14,791,698	5,542,652	37.5	9,249,046	62.5

Table 9. - Actual and Proposed Municipal School Levies Based on  
1962 Costs for 15 Selected Divisions

Division	Local Levies Based on Recommendations			Actual 1962 Total Levy	Percentage Reduction in Total Levy
	General Levy	Special Levy	Total Levy		
	\$	\$	\$	\$	%
Winnipeg #1	6,859,516	3,636,523	10,496,039	13,623,664	23.0
St. Boniface #4	472,860	214,512	687,372	899,390	23.6
St. James #7	1,018,087	401,112	1,419,199	1,789,054	20.7
Norwood #8	333,140	150,887	484,027	597,623	19.0
Seven Oaks #10	436,169	474,340	910,509	1,231,760	26.1
Lord Selkirk #11	255,563	142,941	398,504	512,388	22.2
Transcona - Springfield #12	313,262	303,233	616,495	792,196	22.2
Seine River #14	111,592	77,511	189,103	348,463	45.7
Morris - Macdonald #19	208,033	103,705	311,738	430,780	27.6
Lakeshore #23	86,193	75,777	161,970	285,166	43.2
Beautiful Plains #31	182,086	104,513	286,599	394,591	27.4
Dauphin - Ochre Area #1	196,892	60,658	257,550	365,733	29.6
Brandon #40	530,899	114,910	645,809	881,038	26.7
Fort la Bosse #41	253,658	118,573	372,231	510,521	27.1
Western #47	78,908	59,013	137,921	181,946	24.2
Sample Total	11,336,858	6,038,208	17,375,066	22,844,313	23.9
Provincial Total	17,325,051	9,249,046	26,574,097	36,795,067	27.8



Table 10. - Actual and Proposed Municipal Mill Rates Based on  
1962 Rates for 15 Selected Divisions

Division	Mill Rate Equivalents on Equalized Assessment		Reduction in Mills on Equalized Assessment
	1962 Actual Total Levy	Total Levy Based on Recommendations	
Winnipeg #1	27.9	21.5	6.4
St. Boniface #4	25.7	19.7	6.0
St. James #7	24.3	19.2	5.1
Norwood #8	24.4	19.8	4.6
Seven Oaks #10	37.4	27.6	9.8
Lord Selkirk #11	27.9	21.7	6.2
Transcona - Springfield #12	34.5	26.9	7.6
Seine River #14	41.2	22.4	18.8
Morris - Macdonald #19	27.3	19.8	7.5
Lakeshore #23	45.7	26.0	19.7
Beautiful Plains #31	28.9	21.0	7.9
Dauphin - Ochre Area #1	24.9	17.5	7.4
Brandon #40	22.7	16.6	6.1
Fort la Bosse #41	31.5	23.0	8.5
Western #47	30.6	23.2	7.4
Sample Total	28.0	21.3	6.7
Provincial Total	29.1	21.0	8.1

#### Summary of Effects of Proposals

The foregoing application of the proposed new cost-sharing formula to actual costs of public school education in the year 1962 enables us to draw some general conclusions about the new program's effects on provincial financing, on municipal financing in general, on individual divisions, districts and municipalities, and on the individual taxpayer.

For the province as a whole the over-all effect is to reverse the position of the Provincial Government and municipal taxpayers. The Province, which was paying just over 40 per cent of public school costs, would pay in the future just under 60 per cent. Municipalities whose total contribution was just under 60 per cent would pay in the future just over 40 per cent.

This transfer of cost from one group of taxpayers to another is of massive proportions involving the assumption by provincial taxpayers, when applied to 1962 figures, of an estimated \$10.2 million. By 1965 when the new program could first be put into effect the amount would be substantially greater.

The amount is equivalent to a reduction in the total municipal levy on real property of 8.1 mills, but, of course, this is an average only and the actual reduction would vary considerably from municipality to municipality, perhaps even more than the variation between divisions.

For individual divisions in our selection, the reduction in school costs ranges from 19.0 per cent to 45.7 per cent. Translated into tax rates in different municipalities and school divisions, one can see that the general effect would

be to reduce the total of school taxes. We have found only one municipality, which is quite exceptional, in which there would be a slight increase. In fact, the reduction is generally quite substantial, amounting to about 28 per cent as an average over the whole province.

Individual realty taxpayers in general will pay reduced school taxes. What they pay for the Manitoba Public School Levy will be a relatively uniform rate on every property in the province. What is paid over and above this for special divisional levies will depend on the extent to which the division spends beyond foundation program standards.

As we have said, there was no special sanction for selecting 13 mills as the rate of general levy. However, this rate does establish a relationship of school costs paid by municipal taxation at about 30 per cent on the average of the total expenditures of municipalities. If school costs began again to rise in relation to municipal costs, present problems would probably return. This matter is discussed further in Part B of Chapter VI. It should be said, too, about the proposed rate of 13 mills, that it will vary between municipalities, depending on the relationship which their actual taxable assessments bear to the equalized assessment. Under our recommendations the equalized assessment will also include an assessment representing the business tax as well as the present components of equalized assessments. Furthermore, our recommendations for assessing buildings in due course at full value instead of two-thirds of value, and for the removal of certain other exemptions, such as the exemption of farm buildings and provincial Crown lands, would broaden the tax base to the extent that a rate somewhat below 13 mills would produce as much money in the general levy as we have considered to be desirable. When this happens, the rate should be reduced. This is one of the reasons for emphasizing the importance of a Committee of Review to assist the Province every two or three years in adjusting both the costs of the foundation program and the contribution to be made to it through the Manitoba Public School Levy.

#### Equalization in the Present and Proposed Formulae

Since the Rowell-Sirois Commission proposed that the Federal Government should redistribute certain tax revenues collected from the whole of Canada among the provinces so as to equalize the fiscal resources of the less wealthy provinces with the wealthiest, the principle of equalization has become well known and generally accepted in Canada. The principle has been applied not only to federal-provincial inter-governmental payments but also to grants and other payments made by provinces to their local governments.

There is a very substantial element of equalization in the present formula under which part of the costs of public school education in Manitoba is paid by the combined operational grants already described. The municipalities, with greater tax resources or fiscal capacity, make larger tax payments on this account than do the municipalities with less tax resources or greater fiscal need. The measure of a municipality's fiscal capacity used for this purpose is its balanced assessment. Each municipality is obliged to make a basic contribution of five mills on its balanced assessment, and, in addition, one mill for every \$100,000 of balanced assessment of real property per authorized teacher. This formula requires Winnipeg with its high balanced assessment to pay an additional 8 mills, making 13 mills in all.

The larger the contribution of the municipality to the combined operational grants the smaller is the provincial contribution to the same account. As these provincial and municipal contributions provide for quite a substantial part of the cost of public school education, the degree of equalization is large. Winnipeg Division No. 1 and Norwood Division No. 8 receive provincial assistance to the extent of just over 20 per cent, in contrast to Seine River No. 14 which receives 64.9 per cent, and Lakeshore No. 23 which receives 67.7 per cent, of its total costs from the Province. As noted, the over-all contribution of the Province for the same year 1962 was 42.4 per cent, leaving 57.6 per cent to be paid by the municipalities. Under the proposed plan Winnipeg and Norwood will receive 39.4 per cent and 35.4 per cent respectively from the Province, while the provincial contribution to Seine River and Lakeshore will increase to over 80 per cent. At the same time, it is estimated that the over-all share of the cost borne by the Province will increase to 58.4 per cent while the municipal share will decrease to 41.6 per cent.

The details of the full sample are shown in the following table.

Table 11. - Actual and Proposed Provincial Grants as Percentages of Total Costs for 15 Sample Divisions 1962

Division	1962 Total Actual Costs	Actual 1962 Provincial Contribution	Per Cent of Total Costs	Recommended Estimated Provincial Contribution	Per Cent of Total Costs
	\$	\$	%	\$	%
Winnipeg #1	17,320,697	3,697,033	21.3	6,824,658	39.4
St. Boniface #4	1,519,350	619,960	40.8	831,978	54.8
St. James #7	2,412,514	623,460	25.8	993,315	41.2
Norwood #8	748,889	151,266	20.2	264,862	35.4
Seven Oaks #10	2,045,618	813,858	39.8	1,135,109	55.5
Lord Selkirk #11	1,128,847	616,459	54.6	730,343	64.7
Transcona- Springfield #12	1,525,717	733,521	48.1	909,222	59.6
Seine River #14	992,833	644,370	64.9	803,730	81.0
Morris Macdonald #19	701,790	271,010	38.6	390,052	55.6
Lakeshore #23	883,953	598,787	67.7	721,983	81.7
Beautiful Plains #31	832,407	437,816	52.6	545,808	65.6
Dauphin-Ochre Area #1	927,789	562,056	60.6	670,239	72.2
Brandon #40	1,768,777	887,739	50.2	1,122,968	63.5
Fort la Bosse #41	985,988	475,467	48.2	613,757	62.2
Western #47	352,999	171,053	48.5	215,078	60.9
Sample Total	34,148,168	11,303,855	33.1	16,773,102	49.1
Provincial Total	68,871,906	27,076,839	42.4	37,297,809	58.4

It is noteworthy, too, that under the present plan the equalizing effect of provincial contributions stops before all the costs of the foundation program have been paid. Under the proposed plan the equalizing effects of the general levy continue until the foundation program costs are fully paid.

It is obvious that as the Province takes a greater share of the cost the principle of equalizing school costs among the municipalities becomes less important and would cease to have any significance in payment for public school education if the Province paid the entire bill. The division which we propose still leaves some room for equalization, for which we provide, but on quite a different formula. Instead of using the concept of combined operational grants which provided for only an incomplete foundation program, we propose in effect that the total of the so-called combined grants should cover the full cost of the foundation program. We propose further that the municipal contribution to this fund should be the same for every taxpayer. Our tables are prepared on the basis of a general levy of 13 mills on the 1962 balanced assessment, levied uniformly in every municipality in the province. In the wealthier municipalities this 13 mills will provide a greater proportion of the cost of the foundation program than in the less wealthy. As the Province will pay the balance, its contribution will be an equalization payment, varying in inverse proportion to the wealth of the community concerned.

The important consequence of the method we propose is not only the measure of equalization as between municipal governments but uniformity of levy on the individual realty taxpayer, no matter where he may reside, for the entire cost of the foundation program. If assessments were perfect all taxpayers would make exactly the same contribution for public school education as a percentage of the value of the property on which their taxes are paid. For this they would be assured of the minimum acceptable standard of education.

Through their school boards they would have the choice of going above this basic standard, voluntarily, and at their own expense, without provincial contribution. This part of districts' school costs will be spread equally over the whole division, which is not the case at present.

To our way of thinking these results are fair and equitable. In answer to those who may complain that there is not the same spread in the equalization scale between the high and low as in the present formula, we point out that there will be an absolute reduction of the municipal share of education costs in practically every municipality. In our view the former spread was too great. Municipalities and their taxpayers will be paying less than before for the same service because of the greater provincial contribution. The reduction of municipal school taxes and the corresponding increase of provincial taxes for school purposes will have to be made up by new provincial taxes and we have recommended the retail sales tax for this purpose. This tax reaches everyone in the Province, in contrast to the real property tax which many people do not pay, at least directly, although they benefit from public school services.

In the result, if, in our plan, there is less equalization of school expenditures by municipalities in accordance with their fiscal capacity, there is more equality both of educational services and of contributions as among individual taxpayers.

There may be one or two school divisions with such low taxable assessments per capita that they will be quite unable to afford special levies to provide the excess services which they consider necessary. In such exceptional cases there should be no objection to an additional provincial grant based on fiscal



incapacity which might be designed to match the special levy. A good deal would depend on the merits of the service to be provided above foundation standards.

### Capital Costs

The present system of provincial grants in aid of capital expenditures of school boards appears to be generally satisfactory. The only purpose in suggesting in Recommendation 23 that the Province should increase its contribution to the capital cost of constructing new elementary schools is to encourage the building which will become necessary upon the consolidation of a number of groups of small elementary schools. In order not to encourage construction of more small schools of one to four rooms, we do not suggest any increase in the present provincial grant of 40 per cent unless the new school has five rooms or more. A few years ago, when secondary school consolidation was being promoted, the Province gave 'one-time' grants of \$10,000 for each new school. This might be done again but the proposed 60 per cent contribution to construction would seem to be sufficient to promote the new building which is desirable.

On the other hand, the present scale of provincial contribution to secondary school construction, which runs up to 75 per cent for a 12-room school, appears to be unnecessarily generous and may very well encourage extravagance. Present grants for larger schools produce an incentive in this direction.

One other aspect of construction costs which seems to require attention is that the present maximum approved expenditure for elementary and secondary classrooms or their equivalent, of \$15,000, appears to lag behind actual costs. We understand that the cost per classroom of constructing a secondary school is greater than for an elementary school. We suggest, therefore, that consideration be given to increasing the amount for an elementary classroom to \$17,500 and that a differential be considered for secondary schools.

Textbook grants at full cost and the other miscellaneous grants require no comment.

### Time of Payment of Provincial Grants

The Public Schools Act requires the municipalities to pay over the proportionate share of tax collections applicable to the tax levy in two instalments, the first on or before 30 November of the year of levy and the second on or before 31 March in the following year. The Department of Education pays its grants in two instalments, the first on 30 September and the second on 31 March of the following year. There may also be a final adjusting amount some time after March. This procedure has resulted in interest costs to the school boards which have to spend before they receive their grants. Under the provisions of the Winnipeg charter, the City of Winnipeg is required to pay monthly, beginning in May (the first month of collections), the proportionate share of its tax collections and to make the final payment by 31 March of the following year, though in actual practice this is usually paid by the end of January. Notwithstanding that representations were made to us in favour of some more expeditious method of paying money over to school boards, it appears that the problem may be removed or reduced if our other recommendations are put into effect. Therefore, we make no recommendation on the point.

## CHAPTER VI

## MUNICIPAL TAXATION AND REVENUES

PART A - THE REAL PROPERTY TAX - CHARACTERISTICS,BURDEN AND METHOD OF PAYMENT

## Recommendation 24

MUNICIPAL TAX ON REALTY. MUNICIPALITIES SHOULD HAVE PRIORITY IN THE USE OF THE TAX ON REAL PROPERTY AS THEIR TRADITIONAL AND ONLY APPROPRIATE MAJOR SOURCE OF TAX REVENUE. TO MAKE THE TAX ADEQUATE TO SUPPORT MUNICIPAL FUNCTIONS AS WE HAVE DEFINED THEM, WE HAVE RECOMMENDED THE TRANSFER FROM THE REAL PROPERTY TAX TO PROVINCIAL TAXES OF A VERY SUBSTANTIAL PART OF THE COSTS OF THE GENERAL SERVICES OF HEALTH, SOCIAL WELFARE AND PUBLIC SCHOOL EDUCATION.

## Recommendation 25

INSTALMENT PAYMENT. WE BELIEVE THAT THE REAL PROPERTY TAX WOULD BE LESS OBJECTIONABLE TO MANY TAXPAYERS IF PAID IN MONTHLY INSTALMENTS WITHOUT PENALTY, AND RECOMMEND THAT MUNICIPALITIES, IF THEY DO NOT FIND IT PRACTICABLE TO BILL TAXES FOR INSTALMENT PAYMENT, SHOULD, AT LEAST, INFORM THEIR CITIZENS OF THE PRIVILEGE AVAILABLE TO THEM OF PAYING TAXES BY INSTALMENTS RATHER THAN IN A LUMP SUM AND THE TERMS UPON WHICH SUCH PAYMENTS MAY BE MADE.

## Recommendation 26

DEFERRED PAYMENT. WE AGREE THAT MUNICIPALITIES SHOULD HAVE AND USE THE POWER TO DEFER PAYMENT OF THE INCREASED PORTION OF REAL PROPERTY TAX ON SMALL HOMES WHERE THE INCREASE WAS CAUSED BY A RAPID RISE IN RATEABLE VALUE; PROVIDED THAT THE OWNER RESIDES IN THE HOUSE AND WOULD OTHERWISE BE FORCED TO VACATE BECAUSE OF LACK OF INCOME OR ASSETS OTHER THAN THE RESIDENCE, AND PROVIDED THAT THE DEFERRED TAXES AND INTEREST CAN BE FULLY SECURED BY A FIRST CHARGE ON THE PROPERTY AND WILL BECOME DUE UPON THE DEATH OF THE OWNER, OR SALE OF THE PROPERTY OR ANY PART THEREOF, WHICHEVER HAPPENS FIRST.

WE WOULD NOT OBJECT TO DEFERMENT ON SIMILAR TERMS OF THE INCREASED TAXES OF FARMERS WHOSE LANDS, AFFECTED BY URBAN GROWTH, ARE INCREASING IN VALUE SO AS TO MAKE FARM USE OF THEM UNECONOMIC, PROVIDED THAT DEFERMENT IS ONLY FOR SUCH TIME AS THEY RESIDE UPON AND CONTINUE TO FARM ALL OF THEIR LANDS WITHOUT SALE OF ANY PART.

## Introduction

Within the constitutional limits of its own powers to levy direct taxes the Provincial Government can confer upon local governments and take from them such rights of taxation as it thinks appropriate. From the beginning the taxation of property, real and personal, seemed best adapted to municipal use in Manitoba as in other provinces. Real property represented most of the wealth of the local community. It was accessible and convenient for taxation, it was relatively stable in value and yield and there was an apparent connection between the levy and the benefit which accrued to the property owner from municipal, and to some extent from school services. With the growth of other forms of wealth its relative importance has declined. The Province, which had shared in the property tax until 1952, was able to withdraw from this field completely (with the exception of the odd small compulsory levy) and to find its revenues in other forms of taxation which, like the services rendered by the Province, were of more general application.

Since that time the real property tax has been the almost exclusive preserve of municipalities and school boards, each with equal right of access to it without restraint from the other. It is surprising that this rivalry has not led to more hostility between the two kinds of local authorities than was in evidence at our hearings. Perhaps the explanation is that the increasing demands on both councils and trustees for more and wider services and their need for more revenue has been partly satisfied from other sources.

The municipalities have had the personal property tax, the business tax, different kinds of grants from senior governments such as grants-in-aid of certain services, unconditional grants and grants in lieu of taxes on their properties, utility charges and fees, licence fees, fines, rent and sales receipts and, in Winnipeg, the electricity and gas sales tax. The school boards have had provincial grants. We discuss these other taxes and revenues later.

## Use and Characteristics of the Real Property Tax

In Manitoba, as in other Canadian provinces, the tax on real property is much the most important source of municipal and school revenues.

It takes two forms: a tax on the owners of real property, which is the subject of this section and is referred to as the realty tax or real property tax; and a tax on the occupiers of real property, called the business tax, which is dealt with in Part E of this chapter.

The importance of the real property tax in municipal finance is easily illustrated. Table 1 shows, for each category of Manitoba municipality, the amount of the levy on real property (excluding business tax) in comparison to the total municipal expenditure for the year 1962, both in dollars and as a percentage.

Table 1. - Proportion of Total Municipal Expenditures Received from Levy on Real Property 1962

Class of Municipality	Estimated Realty Tax Levy	Total Expenditures	Realty Levy as a Per Cent of Total Expenditures
	\$	\$	%
Rural Municipalities	17,817,933	19,332,250	92.2
Villages	1,206,819	1,398,113	86.3
Towns	6,015,064	7,217,146	83.3
Suburbans and Cities (excluding Winnipeg)	21,455,449	25,879,973	82.9
Winnipeg	23,716,584	39,068,992	60.7
Total	70,211,849	92,895,474	75.6

In the latest year available, 1962, the total estimated revenue of all Canadian municipalities was \$2,074,182,000, of which 65.7 per cent was provided by the real property tax.

The most commonly voiced objections to this form of tax have been collected in the Canadian Tax Foundation's series on Local Finance in the following terms:

"It is alleged to be 'regressive' by falling more heavily upon the lower income groups; it is accused of unresponsiveness to economic change because it does not automatically become more productive with increased prosperity - and vice-versa - as income taxes and other sources of revenue open to the federal and provincial governments are supposed to do; it is denounced as unfair because real property is claimed no longer to measure a man's ability to pay; it is considered to be unrealistic because there seems to be no relationship between real property values and the worth of services received; and it is critized as not being a suitable tax to support those municipal services such as public libraries, welfare, health and even education which are thought by some to be of no direct benefit to property. The uneven distribution between municipalities of industrial and other types of properties which are good revenue producers is another complaint that is often voiced against the principle of the property tax. And then there are the political type of difficulties that councils face in having to increase deliberately either assessed values or the rate of taxation to keep pace with the need for larger revenues. Either move is quickly observed by taxpayers and both are unpopular. Finally, people resent paying the tax in one, two or three large instalments." <sup>1</sup>

<sup>1</sup> Canadian Tax Foundation. Local Finance, Number 3. Toronto, January 1960. pp 4-5.



The case for the tax is well expressed by Commissioner J.W. Judge in his report on taxation to the Province of Alberta, "Municipal expenditures are, for the most part, regular and recurrent. They are flexible downward only to a very limited extent. Consequently, the major sources of revenue should be adequate, stable, predictable, dependable, and economical to administer. The property tax meets these tests as no other major revenue source can."<sup>2</sup>

H. Carl Goldenberg in his address to the Canadian Tax Foundation's Conference, 1957, stated as follows:

"There is no doubt that the real property tax is peculiarly appropriate to municipal administration. Real estate derives special benefits from municipal services and expenditures. It derives its value in large part from the general growth and development of the community. It forms a large portion of the assets of a community and is an important source of income. It is located within, and is not removable from, a single locality. A tax imposed upon it can, therefore, be effectively administered locally, and the yield from this tax was for many years adequate for municipal purposes. But, as the social and economic changes of the twentieth century shifted the emphasis in municipal development from essentially regulatory local activities of limited scope to costly constructive services such as education, social welfare, health services and transportation, municipal revenues were called upon to finance functions which were no longer of purely local interest but had acquired a province-wide or national interest. The real property tax, nevertheless, has continued to be the basis of the tax structure."<sup>3</sup>

Our public hearings produced a variety of opinions about the real property tax and a great deal of testimony, particularly from municipal councils. These expressed grave concern over the uncertainty surrounding the future use of the property tax. For many this concern was about the general level of taxation and some argued that their mill rate was already unreasonably high; most stated that the really serious problem was in the steadily rising expenditure for education. A few representatives of municipal councils testified that essential public works had to be deferred in order to meet school board demands but the most common opinion was that, although the rates of real property taxation were still bearable, they should not be allowed to go higher. Perhaps the most representative opinion was that stated by the City of West Kildonan in its brief:

"... the crisis facing municipal operations is not due to original error, but rather to uncorrected obsolescence. Real property tax has been diverted to support services for which it was never designed. The majority of owners

<sup>2</sup> Report of the Royal Commission on Taxation. Edmonton, King's Printer, 1948. P. 36.

<sup>3</sup> Report of Proceedings of the Eleventh Annual Tax Conference. Toronto, Canadian Tax Foundation, 1957. p 251.

of real property are quite prepared to accept the necessary tax burden for those services and facilities which are directly related to property. However services related to the welfare of people, i.e., education, welfare and health, should not be a charge on property. Services in these areas are in the public domain, no less than national defence or foreign aid.

"We realize that a shift in the tax load from the municipal level to the provincial level would not reduce the cost load to the public. It is simply a question of whether there should be more taxes at the provincial or municipal level. If the burden of taxes is to be shared on the "ability to pay" principle, then the municipal tax levy on property cannot achieve this." <sup>4</sup>

Many councillors called our attention to the plight of the pensioner or other cottage owner with a small fixed income who could not meet rising tax bills and would become a charge on relatives or welfare agencies if forced out of his or her home. Another problem presented to us was that of the farmer in suburban or built-up areas whose taxes reflect the rising value of his land for other than farm use and make it uneconomic to continue farming as he wishes to do.

Let us admit that the real property tax is not perfect before we conclude, as we must, that it is indispensable. Economists say that the real property tax has no necessary relationship with ability to pay. Real property which is used for farming or industrial or commercial purposes is intended to produce profits. Such uses do result in income, frequently in profits, and sometimes in loss even before paying the tax assessed against the property and its occupation. The lists of bankruptcies in commercial newspapers and deserted farms are evidence that not all use of property for business or farming necessarily creates ability to pay real property taxes.

On the other hand, residential property, although it provides benefits to the occupants in the form of shelter, very necessary in our climate, and the comforts of a home, produces no income or profit to the occupant or tenant and can only be said to be related to capacity to pay the taxes levied upon it in the general sense that people are unable to occupy and maintain themselves for long in residential property which they are unable to afford. It follows that the amount of the real property tax has a very direct bearing on housing problems generally and on the choice of residence which people may make.

For the home owner the tax is a direct charge on his house and land. If it becomes too high a proportion of his cost of living in his own property, he must move to a cheaper property or become a tenant. The level of real property taxation, therefore, affects home ownership which most people accept as a desirable objective, for the family, because it gives continuity and stability to family life, and for the state, because it tends to create a stable and responsible citizenry. Manitoba is fortunate in this respect, for the proportion of those who own and occupy their own homes, to those who rent, is very high. The 1961

<sup>4</sup> Submission on behalf of the City of West Kildonan. 1963. p. 2.

census showed the total number of dwellings in the province as 239,754; of these, 40,390 were farm dwellings and 199,364 were non-farm dwellings. Some 69.8 per cent of the non-farm dwellings were owner-occupied and some 30.2 per cent were rented.

In Manitoba, although farm lands are taxed, farm dwellings and other buildings on the farm are exempt from taxation. Nevertheless, the farm residence is part of the farm, and the farmer, if he wishes to continue to occupy and enjoy his home, must pay the real property taxes on the farm; farm dwellers, too, must consider their annual tax bill as part of the cost of living in their homes.

Although tenants do not pay real property taxes directly, it is a fair assumption that the landlord must incorporate in the rent, all, or a good part of the real property tax which he pays with respect to the leased premises. In other words, the lessee pays his real property taxes indirectly as part of his rent. If taxes are reduced, the ordinary competition of the market should bring down the price of rents.

In considering the nature and effect of the real property tax on commercial and industrial property, several differences from the taxation of residential property are worthy of note.

The owner of these properties, like the owner of residential property, must pay a real property tax levied at the same mill rate upon the value of land and buildings assessed in the same manner as residential land and buildings. But in his case, he occupies the land and buildings or leases them to others for occupation for the purpose of making a profit. In addition, the owner, or the occupier if not also the owner, must pay a different and additional tax which, in Winnipeg, averages almost 12 per cent of the rental value of the premises occupied for business purposes. The annual rental value on which the tax is calculated is roughly ten per cent of the capital value of the premises or may be the actual rent paid or payable for the premises. This additional tax is called the business tax and is dealt with in detail in Chapter VI, Part E. If the owner is also the occupier of the commercial or industrial property, the business tax is, in effect, a surtax on his real property tax.

Secondly, these taxes on business properties are a cost of doing business and recognized as such for income tax purposes. They may be deducted from the taxable income of the person or corporation concerned and in that way effect a saving of income tax which would have been paid on the amount of income which was devoted to payment of real property and business tax. Of course, if the amount of profit does not exceed or equal the amount of the real property and business tax, this saving is lost in whole or in part. The farmer can claim deductions for insurance, depreciation on his buildings, and mortgage interest, and presumably could also claim income tax deductions from real property taxes on his buildings if they were taxable. The home owner and tenant can claim none of these income tax deductions.

A third distinction of taxes on business property is that as far as possible the tax will be passed on to others for payment in the price of goods and services.

Leaving these differences aside for the moment, all real property taxes have a common characteristic. They are all taxes on capital assets, land and buildings, and are levied without any direct relationship to the taxpayer's income or capacity to pay. However, this undesirable characteristic of the real property tax can be tolerated if the rate of levy is kept within proper limits. What these limits are is considered later. As we have said, the tax is, in effect, an annual capital levy. Admittedly, this feature of the tax is undesirable because, if unpaid, it leads directly to loss of the property taxed. When such taxes fall into arrears the municipality takes over and sells the real property to recoup its taxes. Fortunately, in good times this does not often happen. However, in times of depression or falling property values, arrears of taxes can become substantial, and the number of properties forfeited for such arrears, considerable.

It is therefore an urgent matter of public policy to make sure that the real property tax does not become unduly burdensome. Some taxpayers say it has reached that point in Manitoba. All provinces have been trying to keep the tax within bounds by grants and subsidies to municipalities and school boards and some provinces have been making substantial grants with the direct objective of reducing the home owner's tax bill.

We have considered this question of burden to be basic in the inquiries which the Provincial Government has asked us to make. We have tried, therefore, to obtain all available information and advice which would enable us to determine whether Manitobans are now paying excessive real property taxes and to recommend the proper limitations which should be put on the use of this kind of tax. The subject warrants discussion in some detail.

#### The Burden of Real Property Taxation in Canada

Your Commission has conducted a number of statistical studies to ascertain whether the burden of municipal taxation in Manitoba is increasing or decreasing and how it compares with the municipal tax burden in other parts of Canada. This has been done for municipal taxpayers as a whole and for special groups such as urban home owners and taxpayers living in rural municipalities. The detailed results of most of the studies are incorporated in Appendix I, Schedules 1 to 6. Because of the importance of these investigations, the results are commented on briefly in this part of the Report. In each of the studies the burden of taxation has been measured by comparing the amount of municipal or of real property taxes with a measure of taxable capacity. Various measures of taxable capacity have been used including personal income (Schedule 1), personal disposable income (Schedule 2), a combination of personal income and net corporation income (Schedule 3), a combination of personal disposable income and net corporation income (Schedule 4), farm cash income and other measures of farm income (Schedules 5 and 6) and capital value of real property.

It should be noted that each study relates to what we may call 'gross' tax burden. That is, no attempt has been made to estimate the relative value of services which the various taxpayer groups under comparison have received for the taxes which they pay.

The following conclusions about the municipal tax burden have been drawn from the six studies represented by the Schedules 1 to 6 above mentioned and



from other studies which related tax rates to capital value of real property in 12 Canadian cities which are referred to in the text but are not reproduced in the Appendix because of confidential information contained in them.

(1) The over-all burden of municipal taxation in Manitoba in 1962 was almost exactly at the national average. If total municipal taxes in Manitoba are compared with the total personal income for Manitoba, the burden is very slightly below average; if an arbitrary but more realistic allowance is made for the tax-paying capacity of corporations, this advantage disappears. The 1962 results from Schedules 1 to 4 are shown in Table 2.

Table 2. - Measurements of Burden of Municipal Taxation in Manitoba 1962

Province	Municipal Tax Levies as Per Cent of Personal Income	Municipal Tax Levies as Per Cent of Personal Disposable Income	Municipal Tax Levies as Per Cent of Measure of Taxable Capa- city Consisting of Personal and Net Corporate Income Combined in Ratio of 3:1	Municipal Tax Levies as Per Cent of Measure of Taxable Capa- city Consisting of Personal Dispos- able and Net Cor- porate Income Combined in Ratio of 3:1
	%	%	%	%
Nfld.	1.5	1.6	1.2	1.2
P.E.I.	3.1	3.2	2.2	2.3
N. S.	4.5	4.8	3.7	3.9
N.B.	5.0	5.3	4.0	4.2
Que.	5.3	5.7	3.9	4.2
Ont.	5.5	6.2	4.1	4.5
Man.	5.1	5.6	4.0	4.4
Sask.	5.5	5.9	4.7	5.0
Alta.	5.6	6.1	4.2	4.6
B.C.	5.4	6.0	4.1	4.5
All Provinces	5.3	5.9	4.0	4.4

Note: We believe that the above studies are realistic measures of municipal tax burden because the comparisons have been made in such a way as to allow for the rather considerable Canadian population living in unorganized territory or on Indian Reserves and therefore not in receipt of municipal services.

It is of particular interest to note that the burden of municipal taxation in Manitoba is substantially below that of the other two Prairie Provinces. However, the spread between the ten provinces (other than P.E.I. and Newfoundland where special circumstances prevail) is now very small.

(2) Data corresponding to that contained in the first two columns of the Table 2 is presented in Appendix I, Schedules 1 and 2, for selected years back to 1933 including all years from 1943 on. The historical analysis indicates that the 1962 position of Manitoba is quite typical of experience since 1958. However, if we go back further we find that municipal taxation in Manitoba has generally been high. From 1939 to 1953 Manitoba appears to have had the

highest burden of municipal taxation of any province in Canada being closely followed, however, by Saskatchewan. The relative position of Manitoba improved markedly in the year 1954 and then again in 1958. In the latter year municipal tax levies, as a per cent of personal income, for the first time fell below the national average, where they have since remained. Although the position of Manitoba relative to other provinces has improved, municipal taxes as a per cent of personal income (or other personal disposable income) have continued to rise. While this must be cause for concern, it is gratifying to note that in Manitoba, as well as in each of the other provinces, the burden of taxation is still appreciably below the level which existed in 1939.

Table 3 indicates the historical measure of tax burden for Manitoba municipalities. Manitoba's rank is given in relation to the highest tax rate.

Table 3. - Burden of Municipal Taxation for Manitoba and Canada 1933, 1937, 1939, 1941, 1943-1962

Year	Total Municipal Levies (Collections) as Per Cent of Personal Income		Rank of Manitoba Amongst 10 (9) Provinces	Total Municipal Levies (Collections) as Per Cent of Personal Disposable Income		Rank of Manitoba Amongst 10 (9) Provinces
	Manitoba	All Provinces		Manitoba	All Provinces	
	%	%		%	%	
1933	10.7	9.4	3	10.9	9.6	3
1937	7.0	6.9	3	7.1	7.1	3
1939	7.7	6.6	1	7.9	6.8	1
1941	5.6	5.1	3	5.8	5.4	3
1943	4.3	3.8	3	4.6	4.2	3
1944	3.9	3.4	1	4.3	3.7	1
1945	4.0	3.4	1 (tie)	4.3	3.7	1
1946	3.8	3.3	1 (tie)	4.1	3.6	1
1947	3.8	3.5	3	4.1	3.8	3
1948	3.8	3.4	2 (tie)	4.0	3.7	2 (tie)
1949	4.1	3.6	2 (tie)	4.3	3.8	2 (tie)
1950	4.1	3.7	3	4.3	3.9	3
1951	4.2	3.7	1	4.4	4.0	1
1952	4.3	3.9	1	4.6	4.2	1
1953	4.4	4.0	1 (tie)	4.7	4.3	1
1954	4.8	4.4	3	5.2	4.7	3
1955	4.8	4.4	2	5.1	4.7	2
1956	4.7	4.4	2	5.1	4.8	2
1957	5.0	4.7	3	5.3	5.1	3
1958	4.6	4.8	6 (tie)	5.0	5.1	5 (tie)
1959	4.8	5.1	6 (tie)	5.2	5.6	6
1960	5.0	5.4	6	5.4	5.9	6
1961	5.5	5.5	4	6.1	6.0	3 (tie)
1962	5.1	5.3	6	5.6	5.9	6

Denotes Quebec excluded as statistics on tax levies were not reported by the Dominion Bureau of Statistics.

(3) Comparison of the tax levies of rural municipalities with farm cash income from sales of farm products for the three Prairie Provinces was attempted and indicated that the gross burden of municipal taxation on farmers appears to be generally somewhat higher in Manitoba than in Alberta or Saskatchewan. The data are in Schedules 5 and 6 mentioned above (see Appendix I). These schedules must be interpreted with considerable caution for the reasons set out in the comment to Schedule 5.

(4) The burden of taxation on the home owner in the City of Winnipeg is typical or possibly very slightly above average for home owners in major Canadian cities in Ontario and the four western provinces. However, in the City of Brandon the burden of taxation in comparison with these same cities is very high. The foregoing conclusion is based on a special sample survey of 1,300 single family residences in the Cities of Vancouver, Calgary, Edmonton, Regina, Saskatoon, Brandon, Winnipeg, Fort William, Port Arthur, Ottawa, Hamilton and Toronto. In this survey a sample of up to 150 single family residences was taken in each of these 12 cities and an average median relationship was derived between the real property tax levy and the capital or market value of the dwelling.

This survey, except for Manitoba cities, was conducted through the Winnipeg Chapter of the Appraisal Institute of Canada which contacted professional appraisers in the various cities concerned. These appraisers supplied the Commission (via the Winnipeg Chapter) with actual sale prices and municipal tax assessments for single family dwellings in their own cities. Elaborate instructions were sent out to each appraiser in an effort to secure results which would be as comparable as possible. In all cases it was required that properties included be single family dwellings, have a sales price reasonably representative of true market value, exclude sales by a builder or contractor of new homes, have a normal size lot and a market value within a range of \$8,000 - \$25,000.00. It was further required that the properties should come from various sections of the city. Additional requirements which were occasionally relaxed to secure large enough samples were that the sale prices be taken from the year 1962 and that the property be situated within the city limits. (The latter requirement was not adhered to in Toronto since a uniform assessment exists throughout the Metropolitan area and adequate sampling of some types of homes could not be obtained from within the city limits.) The sample dwellings in each city were classified into six categories to ensure that both one and two storey houses and that houses of differing ages would be secured. While it was possible to adhere to the proposed stratification exactly in Winnipeg, this could not be done in most of the other cities. Your Commission does not consider itself at liberty to reveal the actual results of the study for cities outside Manitoba but it is possible to indicate the results without attaching the names of the outside cities. Table 4 indicates the average relationship between real property taxes and capital or market value for single family dwellings in the Cities of Vancouver, Calgary, Edmonton, Regina, Saskatoon, Fort William, Port Arthur, Ottawa, Hamilton and Toronto (unidentified), and the Cities of Winnipeg and Brandon (identified), for the 1962 tax year.

<sup>5</sup> While some dwellings outside of Toronto City were included, it was assumed that the taxes payable on these homes were the amounts which would have been payable if they were situated within the City.

Table 4. - Real Property Taxes as Per Cent of Capital Value for 12 Selected Cities 1962

City	Protestant and Jewish Home Owners	Roman Catholic Home Owners
	%	%
Brandon	2.40	2.40
A	2.29	2.29
B	2.09	2.13
Winnipeg	1.97	1.97
C	1.97	1.97
D	1.97	2.10
E	1.88	1.88
F	1.84	1.84
G	1.81	1.81
H	1.64	1.98
I	1.60	1.60
J	1.59	1.59

Note: Local improvement taxes are not included.

(5) A comparison of real property taxes with capital or market value indicates the probability that the burden of taxation on the home owner is within substantially the same range for Manitoba towns as for the Cities of Winnipeg and Brandon. It will be recalled from the preceding section that 1962 taxes as a per cent of capital value for home owners averaged 1.97 per cent in Winnipeg and 2.40 per cent in Brandon. The indicated average relationship between municipal taxes and capital value in five Manitoba towns at approximately the same time is as follows:

Town	Real Property Tax as an Average Per Cent of Capital Value
	%
Neepawa	2.50
Virden	2.43
Morden	2.12
Selkirk	2.05
Dauphin	1.87

As one would expect, there is some spread between the percentages for the five towns, with Neepawa and Virden ranking high and Selkirk, Dauphin and Morden ranking lower. However, the spread of the above percentages is similar enough to that for Winnipeg and Brandon to point to a conclusion that the burden of taxation in these towns appears to be within the same range as Winnipeg and Brandon. Of course, no exact parallel can be drawn because of important differences between the two studies. These differences are as follows:



	<u>Study of 12 Cities</u>	<u>Study of 5 Towns</u>
Collection of data and responsibility for excluding unreliable sales	Through local members of the Appraisal Institute of Canada in 10 cities and through City Assessors in 2 Manitoba cities	Through records of Provincial Municipal Assessor
Size of Sample	150 cases secured for Winnipeg, 44 for Brandon	Varies from 35 in Virden to 56 in Dauphin
Date of Sales	Winnipeg sales taken from 1962 only, some Brandon sales taken from 1963 as well	Sales for 3 years accepted for Neepawa, Morden and Virden, 2 years for Dauphin, and 1 year for Selkirk
Range of Sale Prices	\$8,000 - \$25,000	\$5,000 - \$25,000
Stratification of Sampling	6 categories used for different size and different age of housing	No stratification

While these differences in method are considerable, it seems unlikely that they would invalidate our conclusion that the average burden of real property taxation for home owners in the five Manitoba towns is not greatly different from that for home owners in the Cities of Winnipeg and Brandon.

(6) The burden of municipal taxes on the home owner in the City of Winnipeg appears to be quite typical of the Metropolitan area. Table 5 relates real property taxes to capital value for home owners in the 19 municipalities which come under the jurisdiction of the Assessment Commission for Metropolitan Winnipeg.

The most important point in Table 5 is the position of the City of Winnipeg. The municipalities are listed in descending order of tax burden and it will be noted that there are seven municipalities with a higher tax burden on home owners than the City of Winnipeg, and eleven municipalities with a lower tax burden on home owners. The seven municipalities higher in the list have a census population of 111,153 while the eleven municipalities lower in the list have a census population of 109,749 so that it seems fair to say that Winnipeg occupies a position close to the average for all nineteen municipalities. It is possible, of course, that a slightly different conclusion would be reached after the reassessment of all the municipalities of Metropolitan Winnipeg on the new basis which was applicable in 1962 to the City of Winnipeg.

If the figures on tax burden are studied in relation to a map of Metropolitan Winnipeg, it will be noted that there is a definite tendency for the outlying municipalities to have lower tax rates than the central municipalities. Thus the seven most outlying municipalities are the Rural Municipalities of Assiniboia, Charleswood, Macdonald, Rosser, East St. Paul, West St. Paul and Springfield and six of these seven municipalities are below the City of Winnipeg in level of tax burden.

Table 5. - Real Property Taxes as Per Cent of Capital Value for Metropolitan Winnipeg Municipalities 1962

Municipality	Number of Sales of Dwellings	Real Property Taxes as an Average Per Cent of Capital Value for Dwellings in 1962
Brooklands (T)	140	2.35
St. Boniface (C)	560	2.09
Macdonald (RM)	14	2.07 <sup>1</sup>
W. Kildonan (C)	232	2.06
St. Vital (C)	374	2.00
Fort Garry (RM)	209	1.99
Old Kildonan (RM)	13	1.89 <sup>1</sup>
Winnipeg (C)	2,956	1.85
East St. Paul (RM)	20	1.78
Transcona (C)	123	1.75
East Kildonan (C)	275	1.72
Springfield (RM)	9	1.71 <sup>1</sup>
N. Kildonan (RM)	221	1.68
St. James (C)	467	1.59
Charleswood (RM)	109	1.56
West St. Paul (RM)	30	1.50
Assiniboia (RM)	216	1.50 <sup>1</sup>
Rosser (RM)	6	1.42
Tuxedo (T)	22	1.24
Total	5,996	

<sup>1</sup> Percentage unreliable owing to smallness of sample.

It should again be noted that the measure of tax burden in the above table differs in several respects from the measure used in the study of the twelve cities. The principal difference is that the coverage is much broader in the Metropolitan Winnipeg study since all dwellings are included irrespective of sale prices. This would mean that there would be considerable weight for sales of less than \$8,000 since such sales are very numerous.

Notwithstanding those and other differences, it will be noted that the measure of burden for the City of Winnipeg in the two studies are relatively close, being 1.97 per cent in the first study and 1.85 per cent in the above survey.

The measure of tax burden used in the above table also differs, but to a lesser extent, from that used for the five Manitoba towns. The principal difference is that different types of averages are employed; the median in the case of the towns, and the arithmetic mean in the case of Metropolitan Winnipeg. Also, for four of the five towns, sales for more than one year were used. Subject to these differences, however, the indication is that quite a number of the municipalities in Metropolitan Winnipeg, mainly the suburban ones, have an average

burden of taxation for home owners which seems to be significantly less than the burden in Winnipeg, Brandon and the five towns referred to in section (5) above.

(7) With some reservations, we present comparisons of the tax burdens in ten selected and representative rural municipalities with tax burdens in selected villages and representative towns and cities, all expressed as a percentage of capital value. These must be regarded as estimates because there is not a sufficient volume of actual sales available for comparison with assessed values to generalize with confidence. In this respect they differ from the preceding studies of assessments in the twelve Canadian cities, the metropolitan municipalities and the five towns. From these figures we are unable to conclude that the real property tax burden in Manitoba rural municipalities as distinct from the burden in urban communities is significantly different. Table 6 gives the particulars.

Table 6. - Rural and Urban Comparison of Tax Burden in Selected Manitoba Municipalities 1962

Municipality	Real Property Tax as Average Per Cent of Capital Value	Municipality	Real Property Tax as Average Per Cent of Capital Value
	%		%
<u>Rural Municipalities</u>		<u>Towns</u>	
Siglunes	3.90	Altona	3.63
Whitemouth	3.46	Carberry	3.05
Sifton	2.83	Gimli	2.51
Archie	2.56	Selkirk	2.51 (2.05)
Albert	2.36	Steinbach	2.46
Woodworth	2.35	Stonewall	2.32
Wallace	2.16	Swan River	2.20
Rhineland	2.09	Oak Lake	2.18
Franklin	2.09	Morden	2.14 (2.12)
Pipestone	2.03	Dauphin	2.01 (1.87)
<u>Villages</u>		<u>Cities</u>	
St. Lazare	3.33	Portage la Prairie	2.72
Glenboro	3.18	Brandon	2.32 (2.40)
Foxwarren	2.73	West Kildonan	2.08 (2.06)
Manitou	2.66	Transcona	2.00 (1.75)
Napinka	2.61	Winnipeg	1.98 (1.97)
Bowman	2.24	St. Vital	1.83 (2.00)
Ethelbert	2.21	East Kildonan	1.83 (1.72)
Wawanesa	1.80	St. James	1.61 (1.59)
Dunnottar	1.77		
Roblin	1.73		

Note: Results from earlier tables are shown in brackets for purposes of comparison.

The results for municipalities differ because of the several different methods used by your Commission. The bracketed town results were based on sales-assessment ratios of selected residential properties in each of the sample towns that were sold over a three-year period (1959 to 1961) and the 1962 local rates. Their counterparts, not shown in brackets, were based on the average 1961 sales-assessment ratio for all Manitoba towns and the 1962 local rates.

For cities, where comparisons are also made, Brandon and Winnipeg burdens shown in brackets are based on sales-assessment ratios for selected properties sold in 1962 and the 1962 local rates. Comparative results for other cities had different bases and were provided to us by different sources.

Excepting the Town of Selkirk and the City of Transcona the results are surprisingly close considering the different methods used in their calculation. The varying results also indicate that only general conclusions can be drawn from such studies.

(8) For the future, the burden of municipal taxation is likely to increase further in Manitoba unless positive steps to prevent it are taken by the Province. In this regard we present a simple projection of total assessments, tax impositions and effective average mill rates up to 1966:

<u>Year</u>	<u>Total Assessments</u>	<u>Tax Imposition</u>	<u>Average Mill Rate</u>
	\$	\$	
1962	1,284,183,616	79,345,220	61.7
1963	1,357,596,586	84,215,924	61.9
1964	1,431,009,556	89,086,628	62.2
1965	1,504,422,526	93,957,332	62.4
1966	1,577,835,496	98,828,036	62.6

#### Relation to Income Groups

To throw some further light on the burden of real property taxation in relation to the incomes of the individual taxpayers, an investigation was made of the effect of tax revenues and expenditures of local governments in Manitoba on the income of persons resident in the province. The results of this investigation cannot be accepted as conclusive because of the numerous assumptions which had to be made. After analyzing the total municipal tax levy in the province in a way which would make it possible to distribute the money burden by income groups, on the basis of specified assumptions about the process of shifting, the following effects were indicated.

The money burden of municipal taxes in the province is regressive, that is, the percentage of income paid in municipal taxes is greater for the low income groups than for the high income groups. This characteristic of real property taxes must be considered in the context of total Canadian taxation by all levels of government. Regressive elements in the tax structure may be offset by progressive components. In any event, as we have already said, this aspect of the real property tax is only one of several considerations which would enter into tax policy. In spite of these qualifications, however, the regressivity of local government taxes cannot be ignored.

I. J. Goffman in his study on the burden of taxation in Canada said, "The effective rate schedule for all levels of government combined indicates



slight regression among the lower income groups, proportionality for the middle ranges, and moderate progression thereafter."<sup>6</sup>

There is some indication, therefore, that the distribution of the money burden of taxes in general is not fully in accord with the view of what a just distribution should be. The implication of our findings is that the percentage of income paid in taxes is approximately proportionate in the income brackets which contain over 50 per cent of the number of households and is moderately progressive in higher income brackets.

As we have already shown, a larger share of personal income in the province is being taken up by municipal governments through taxation which shows a tendency to be regressive. If municipal taxation tends to outrun the growth of personal income, it makes a great deal of difference whether or not the taxes are imposed on people whose buying power is rising in spite of additional taxes.

### Reform of the Tax

Much consideration has been given to the possibility of graduating the real property tax in accordance with a taxpayer's capacity or ability to pay. In our view this is not practicable. The complications of the expedients which have been tried elsewhere are such as to destroy the simplicity and certainty which makes the real property tax desirable and, as we have said, indispensable for municipal purposes. In the long run, such expedients would be a far greater threat to municipal government than the problems of the low income individual which in the main should be solved by the senior levels of government. On this account we have rejected arguments for preferential tax arrangements to favour low income groups - in fact, all preferential arrangements except the basic preference in favour of residential and non-business property as contrasted with business property. Not only are preferential systems complicated to administer but they are also arbitrary. There is no logical basis for determining the extent of the differential. This being the case there is no logical stopping point and not very much to prevent such differentials from becoming extreme and very harmful. Initially, a form of tax preference for low income individuals could be designed that would not have any harmful effects. However, it is doubtful that such a scheme could be maintained over a period of years. It is highly probable that the outcome would be repeated extensions of the initial preference, with an ever-increasing share of the immediate burden being borne by the business community. This would ultimately lead to a seriously eroded tax base and a considerable reluctance on the part of business to invest in additional property in view of the tax costs which would be involved. These considerations could eventually destroy the real property tax as a useful source of municipal revenue. Some people might not be disturbed at such a prospect and might be quite willing to risk it. However, in our view this is a risk which should not be taken.

Nevertheless, the tax can be improved:

- (1) by defining the residential preference over business property (see Part F of this chapter);
- (2) by better provisions for instalment payment (see later pages of this part);

<sup>6</sup> I. J. Goffman. The Burden of Canadian Taxation. Toronto, Canadian Tax Foundation, 1962. p. 16.

- (3) by provision for deferring until sale the payment of taxes or tax increases in special cases of merit where the deferred taxes can be fully secured on the property (see later pages of this part); and
- (4) by improving assessment practices (see Part C of this chapter).

### Conclusions

Taking the foregoing facts and opinions into account, we summarize our conclusions about the real property tax as follows.

Reform of the tax itself to offset its tendency to bear more heavily on low income groups is not practicable; other remedies for this problem would be better, but improved methods of payment would help to meet some of the defects of the tax.

In Manitoba, as in other Canadian provinces, real property has been the traditional and dominant source of funds for school and municipal purposes. The realty tax is stable, certain, easy to administer and is readily connected in the taxpayers' minds to the local services which it provides for them and their property. In theory it is not a good tax. In practice it is indispensable; we have to live with it. It must continue to be the foundation of independent municipal government.

By comparison with other provinces, the overall burden of municipal taxation in Manitoba is now almost exactly at the national average. Are they all paying too much? One might conclude that Manitoba owners of real estate are not suffering if they are no worse off than those in other provinces.

If this conclusion were tenable, it would not alter our major recommendations about the division of functions between the Province and the municipalities and about the need to limit the use of the realty tax, both in amount and in services it pays for, but events in other provinces show that the conclusion is not warranted. Every provincial government is deeply involved in grants and payments to municipalities for the direct or indirect purpose of lifting the load from the real property taxpayer. The home owner is the special beneficiary of all this anxiety. The Ontario and British Columbia schemes to help him are set out in Part F of this chapter on Residential Tax Preferences. British Columbia is repaying to municipalities, to be credited on tax bills, \$85 per home owner this year, and promises to pay \$100 next year. All this relief is for taxpayers who are at the Canadian average.

In absolute terms the gross burden has increased steadily since the post-war low reached in 1946 to 1948 and would have increased much more were it not for the provincial grants and subsidies.

We propose, in Chapters III and IV, to reduce the municipal need for subsidies and for tax money by transferring definite general services to the Provincial Treasury. If this reduction in the demands on real property is made effective, the rate of tax in most municipalities should be lowered substantially - on the average by approximately nine mills. Municipal and school governments should not rush in to fill up the vacuum.

We recommend as a desirable policy that the Provincial Government, municipal councils, school boards and their electors should keep the total annual levy on real property within reasonable limits. That which is a reasonable limit will not be constant, but we suggest, as a desirable target for normal conditions, that an annual tax of two per cent of capital value of residential and non-business property would be high and that the rate of business surtax should correspond.

The same policy of limiting the amount and use of levies on real property would require that all property bear its share. To this end tax exemptions should be limited.

Assessment practices should be improved so as to establish uniform assessments which can be readily related to value.

Finally, our conclusion is that the real property tax is the only major tax for which it is practical for municipalities to levy, and that it can be adequate to support their responsibilities as we have defined them in this Report.

#### Instalment Payment of Realty Taxes

The Municipal Act, section 1090 (3), provides that a municipality may, by by-law, make taxes payable by instalments either before or after 31 October of the year in which they are levied and may allow discounts for prompt payment of the instalments.

It also provides in section 1091 (3) that a municipality may, by by-law, allow a discount not exceeding eight per cent per annum for prepayment before the due date. There is also a provision, section 1091 (5), which permits any municipality to provide for prepayment in amounts of \$10 or multiples thereof and to issue tax prepayment receipts.

Little use of these provisions is made generally by towns, villages and rural municipalities, perhaps because taxpayers are not aware of them, or perhaps to avoid the additional bookkeeping which instalment payments would entail.

Elsewhere there is a trend in this direction. Some cities are billing more than once a year. Toronto is billing every two months and Hamilton is said to be planning instalment bills and payments.

In 1958 the City of Winnipeg was advised in a report by H. Carl Goldenberg, Commissioner on Municipal Taxation, as follows: "The City should adopt a system of instalment collection of the real estate tax and the Finance Commissioner should therefore be instructed to investigate the instalment collection of real property taxes on a monthly or, at least, a quarterly basis, and to prepare a plan for such collection appropriate to the City of Winnipeg." <sup>7</sup>

Following the Goldenberg Report the Commissioner of Finance of the City of Winnipeg put forward a proposal for bi-monthly billing, pointing out that adoption of this system would mean additional annual costs of \$61,000 plus at least \$35,000 for additional equipment; that tax collections as a percentage of tax levy had been very satisfactory; and that the taxes of some 12,000 dwellings out of 47,000 on the tax roll were being paid by mortgage companies which indicated that a fair percentage of the taxpayers were already paying their taxes on

<sup>7</sup> Report of the Commission on Municipal Taxation. Winnipeg, Queen's Printer, 1958. p. 99.

a monthly basis. No steps were taken to implement this recommendation of the report. Table 7 indicates that there is no collection problem from the point of view of the municipalities.

Table 7. - Record of Tax Collections for Manitoba Municipalities 1953 - 1962

Year	Current Levy	Collections of Current and Arrears	Percentage of Current Levy
	\$	\$	%
1953	39,960,577	38,938,190	97.44
1954	42,102,472	41,193,320	97.84
1955	45,250,293	45,041,469	99.54
1956	50,827,839	50,737,976	99.82
1957	53,758,860	53,769,099	100.02
1958	56,039,843	57,852,553	103.23
1959	60,667,379	61,242,079	100.95
1960	66,327,020	67,317,467	101.49
1961	75,725,162	74,943,385	98.97
1962	79,345,220	79,420,542	100.09
Total	570,004,665	570,456,080	100.08

Source: Statistical Information 1962, Department of Municipal Affairs.

It should be noted that collections of arrears include the full amount realized from tax assets, such as sales on the open market of property acquired through tax sale, which in many cases would be in excess of the original amount in arrears. The actual arrears at December 31, 1953 amounted to \$13,404,797 which was 33.5 per cent of the 1953 levy compared with actual arrears at December 31, 1962 of \$17,989,302 which was equal to 22.7 per cent of the 1962 levy.

It should be borne in mind that even these figures do not signify inability to pay in all cases as some taxpayers prefer to leave their taxes in arrears and use their money to better advantage elsewhere.

The fact that the Report of the Municipal Enquiry Commission in Manitoba did not deal with this matter and only two briefs touched on it - one urging that payment of taxes be encouraged by imposing a penalty of one per cent per month, and the other urging that rural municipalities should defer penalties to 31 December - indicates to your Commission that the present system is satisfactory to the municipalities. It probably indicates, too, that the man of small means to whom monthly payments would be a convenience is not likely to file a brief before a Royal Commission or to appear in person.

Taxpayers generally pay their taxes in a lump sum and in most cases are not aware that the law permits them to pay by instalments. This right would be of advantage to the wage-earner and to persons on a monthly income basis, many of whom operate on monthly budgets and pay their other obligations in small and frequent instalments. For them the single annual payment is more difficult to manage. The practice of billing the realty tax in one account, payable in one lump sum, is undoubtedly an important factor in contributing to dissatisfaction with this tax.



In view of the fact that such a substantial percentage of home owners in the larger urban areas are now paying their taxes on a monthly basis and that there is already provision in the legislation for instalment payments, we do not press for instalment bookkeeping and billing. We simply remind municipalities that they, like business firms, would do well to accommodate themselves to their customers' convenience.

At least they should inform the citizens of their right to pay by monthly instalments and specify the method and terms applicable, including times of payment, calculation of instalments in advance of billing, discounts for prepaid instalments and interest on post-paid instalments.

#### Deferred Payment of Taxes

Recommendation 26 is an answer to pleas made to us on behalf of pensioners and persons of small income or assets other than the house in which they live, such as pensioners who continue to live in homes which, because of urban development, have increased in value and are taxed at rates which the owner is no longer able to pay. Their sad choice is to break with tradition, sell, and try to relocate with the proceeds. In many cases a few years deferment, at least of the increase in taxes, would solve the problem without risk to the municipality because of the security and increasing values.

A plea for farmers in the suburbs, whose lands have become too valuable for agricultural use, but who want to continue to farm undisturbed, rather than to take their profits and move, seems to be based more on sentiment than hardship. We are not prepared to say that sentiment should be ignored, particularly in the older settlements. The recommendation reflects these views.

## PART B - LIMITATION OF REAL PROPERTY TAX

### Recommendation 27

RESPONSIBILITY FOR LIMITATION. ALTHOUGH THE RESPONSIBILITY FOR RETAINING THE LEVEL OF REAL PROPERTY TAXATION WITHIN DESIRABLE LIMITS IS A PRIMARY DUTY OF MUNICIPAL COUNCILS AND DIVISION SCHOOL BOARDS, WHOSE INDEPENDENT DECISIONS FIX THE TOTAL ANNUAL RATE OF LEVY, AND OF THE MUNICIPAL AND SCHOOL ELECTORS WHO ELECT THESE COUNCILS AND SCHOOL BOARDS, IT SHOULD NEVERTHELESS BE AN EQUAL CONCERN OF PROVINCIAL POLICY TO KEEP THE REAL PROPERTY TAX RATE WITHIN PROPER BOUNDS.

THE PROVINCIAL GOVERNMENT SHOULD KEEP A CLOSE WATCH ON THE LEVEL OF THIS TAX IN THE FUTURE WITH A VIEW TO APPLYING APPROPRIATE REMEDIES IF THE TAX LEVY BECOMES EXCESSIVE THROUGHOUT THE PROVINCE, SUCH AS THE REMEDY WHICH HAS BEEN PROPOSED IN THIS REPORT, THAT IS, THE REMOVAL FROM REAL PROPERTY OF A FURTHER PART OF THE BURDEN OF PUBLIC SCHOOL COSTS. THIS COULD BE DONE AGAIN QUITE SIMPLY BY LOWERING THE MANITOBA PUBLIC SCHOOL LEVY. THE LEVEL OF THE REAL PROPERTY TAX SHOULD BE REVIEWED BY THE PROVINCIAL GOVERNMENT AS SOON AS THE VARIOUS RECOMMENDATIONS OF THIS REPORT WHICH AFFECT THE TAX HAVE BEEN APPLIED, AND THEREAFTER AT INTERVALS OF TWO OR THREE YEARS, PREFERABLY IN CONJUNCTION WITH THE CONSIDERATION OF THE COSTS OF THE FOUNDATION PROGRAM OF PUBLIC SCHOOL EDUCATION BY THE COMMITTEE OF REVIEW, REFERRED TO IN RECOMMENDATION 22.

### Introduction

Throughout this Report, much emphasis has been placed on the necessity of keeping the real property tax low. The reasons for this have been set out in the preceding Part A, where the characteristics of the tax and its proper use are discussed. The reasons are obvious enough to those who own their own homes and have to face annual tax payments, which, in terms of the values of a few years ago, seem almost to be the equivalent of a fair rental for the property. Tenants, too, struggling to pay rents which take so much of the breadwinner's earnings that there is too little left for other necessities of life unless other members of the household contribute, have good reason to be conscious of the fact that the real property tax constitutes a substantial proportion of such rent. For those who use property for business and productive purposes, the impact of high tax rates is not so heavy, for reasons which are examined in Part E of this chapter.

Without repeating the arguments against high rates of taxation of real property, we proceed to a consideration of the proper limits for such taxation and the various methods by which such limits could be enforced.

### Proper Limits to Real Property Taxation

The view of the proper use of the real property tax which we have adopted is that it is justifiable as a payment for local services, rendered to the owners and occupants of property by municipalities and to some extent by public school boards. On this basis, the tax should be a fair price for services rendered and should be paid by all property owners in proportion to the value of their

properties. One exception to this uniformity is to be noted, that is, the tax preference which is recommended for residential and non-business property taxpayers as against business property taxpayers. What follows relates particularly to the proper limits of the tax on residential and non-business properties. The business tax, as now levied, is an additional tax on the users of business property. If the tax is reconstituted in accordance with our recommendations, it will become a surtax on business properties which will vary with the general mill rate. Its level will therefore bear a fixed relationship to the general property tax level and will be determined by it.

Unfortunately, these local services rendered to the owners and occupants of property are not capable of exact measurement or valuation. In fact, there is considerable controversy as to the principal beneficiaries of these services. It is clear that the services which we would transfer from local governments to the Province, that is, health, welfare and part of education, are not of particular benefit to real property owners as such, and do not warrant real property tax payments in the same way as the more local and traditional municipal services. It is clear, too, that the level of the real property tax rate is determined largely by the extent and quality of the services demanded by local residents. It varies with what they want and are willing to pay for. Consequently, there is substantial variation in the tax rates levied in different municipalities throughout the province.

In Part A of this chapter we have attempted to compare the effective rate of the realty tax, that is, its rate as a percentage of the capital value of the property taxed, between municipalities within the province and also with selected outside cities. For the province as a whole, the best estimate we have been able to make of this relationship is based partly on evidence and partly on opinion that taxable property is assessed on the average, at 40 to 45 per cent of its current capital value. As the average mill rate in 1962 was 57.7 mills on 40 to 45 per cent of capital value, one can estimate the effective rate in relation to 100 per cent of capital value of the property taxed at 23.08 to 25.96 mills, that is, 2.3 to 2.6 per cent. This is only an over-all average which means little to the taxpayer who pays the local municipal rate. This local rate as a percentage of the full value of the taxed property has been estimated in selected representative municipalities in each class as follows:

Rural municipalities	- from 2.03 per cent to 3.90 per cent
Villages	- from 1.73 per cent to 3.33 per cent
Towns	- from 2.01 per cent to 3.63 per cent
Cities	- from 1.59 per cent to 2.72 per cent

These estimates are no more than indicative as is explained in the preceding Part A of this chapter where the present level of taxation is discussed.

If the major recommendations of this Report had been applied to the year 1962 there would have been an over-all tax reduction of approximately 9 mills on the actual assessment, bringing the effective rate of taxation for the whole province down to a range of 1.95 per cent to 2.2 per cent.

Applying these recommendations to the future, the real property tax rate will be substantially reduced. Whether the reduction will be maintained depends, of course, on whether or not municipal councils and school boards keep their expenditures down. Undoubtedly there will be strong pressure to fill the

vacuum ' produced by the reduction in rate. Municipal officials asserted recently in the brief of The Canadian Federation of Mayors and Municipalities to the Royal Commission on Taxation that the current high level of the property tax, largely due to rising educational costs, is one of the principal reasons for deferment by municipal governments of the massive works of renewal and other physical development which are long overdue in many urban areas. This rather indicates a readiness of municipal councils, if they are relieved somewhat from the pressure of school taxes, to spend the saving on works which they have been holding back because tax rates were so high that increases would not be tolerated by the electors. It would be unfortunate if the saving to real property taxpayers, which will be offset at least to some extent by sales taxes which they will have to pay in the future, should be offset a second time by a return of real property tax rates to their former levels.

What the rates should be in the future is a question for which we have found no specific answer. It is a matter of opinion. The Government of Canada, which studies municipal assessments and rates of realty taxes for the purpose of settling its grants to municipalities in lieu of taxes on federal properties, regards taxation as being very high when it exceeds two per cent of capital value. The New Brunswick Royal Commission on Finance and Municipal Taxation recommends the reduction of the tax on residential and non-business property to two per cent of current capital value and the payment by the Province of equalization grants to municipalities which cannot perform their limited services on their share of this rate. Commissioner V. J. Pottier in his 1957 report on the taxation system in the City of Halifax expressed the view, "The area of hardship and genuine tax resistance is reached for those taxpayers who have to depend on 'fixed salaries or fixed incomes' when the tax rate reaches 2% of actual market values." <sup>8</sup>

In expressing our opinion, we realize that in the final analysis tax rates are a matter of choice in each municipality for the electors who have to pay them. Many would think it an affront to responsible local government, in its service of the needs of a growing and changing community, for the Province to impose restrictions on local taxing powers. Furthermore, what might be considered burdensome in one locality might not have the same appearance to the taxpayers of another.

It appears to us that when municipal tax rates exceed two per cent they tend to be unduly burdensome on the residential taxpayer, and that increases beyond this amount should be subject to some form of restraint exercisable preferably by those who pay the tax.

#### Methods of Limitation

If there is to be limitation of the real property tax, it must come from the exercise of control over the taxing powers of the municipal council and of the school board. Each of these two local authorities has independent and equal rights to raise revenues from real property, although the municipal council has the responsibility of collecting both levies. The rate of tax, as it appears in a municipal tax bill, is a composite total of the levy for public school purposes, which is determined by school boards, and the levy for municipal purposes,

<sup>8</sup> The Taxation System in the City of Halifax, 1957, in Local Finance, Issue No. 3. Toronto, Canadian Tax Foundation. pp.3 and 4.



which is settled by the municipal council. It may include levies for hospital district boards, but these are relatively minor. Various methods of control have been tried or suggested, such as legislative limitation, municipal control of schools, Municipal Board control, and ratepayer or elector control.

#### Legislative Control

The Municipal Act, section 633 (1), provides as follows:

"The annual rate levied by the municipal corporation for general purposes in any year shall not exceed in the case of a rural municipality or a municipal district more than three cents on the dollar, and in the case of a city, town, or village, more than two and one-half cents on the dollar, on the assessed value of the whole rateable property within the corporation, according to the last revised assessment roll thereof, exclusive of school rates, Minister of Municipal Affairs' rates, and local improvement rates, and any rate imposed to pay principal and interest on an issue of debentures, to pay off or retire debentures of the corporation, or to fund an operating deficit or current or past due liabilities, or to assume debt under The Land Drainage Arrangement Act, or levies required to be made by the minister or the board under subsection (3) of section 631. "

The Winnipeg Charter, section 646, provides:

" The rate to be levied in any year, in addition to what is required for interest on outstanding debentures or other securities and the amount required for a sinking fund or instalments of principal therefor, and for school purposes and for the maintenance of the police force and the amount required by the Board of Parks and Recreation. The Metropolitan Corporation of Greater Winnipeg, and under any general statute of the province levying any additional rate, shall not exceed the sum of twelve mills on the dollar. "

These statutory controls have been ineffective. The many exceptions leave so much scope that the limits are never reached, even in municipalities whose over-all mill rate exceeds 100 mills or ten per cent of the assessed value.

In the United States, where similar relations exist between state and local governments, an Advisory Commission on Inter-governmental Relations reported in October 1962 on "State Constitutional and Statutory Restrictions on Local Taxing Powers". The following extracts from its findings we consider to be pertinent in Manitoba:

" The power of local governments to levy property taxes is subject to constitutional or statutory restrictions or both in most States. In some States statutory restrictions preceded constitutional provisions; in others the restrictions began with constitutional provisions. The few States without either

of these restrictions are concentrated in New England.

" The restrictions typically take the form of maximum limitations on the allowable tax rate related to the assessed (not the actual market) value of taxable property, although state-wide equalized value is occasionally specified, as in New York and Illinois. Examples have been found also of limitations on the maximum dollar amount of the local government's tax levy (Minnesota) and on the increase in its levy from one year to the next (Arizona, Colorado, and Oregon).

" Although restrictions on property taxes have existed throughout the history of the tax, limitations as we know them today originated in the several States at different times after about 1870 and before 1940. Their introduction was generally associated with efforts to reduce or contain local government expenditures under the stress of depressed economic conditions. At times the desire to relieve the tax burden on property was the primary motivation. At other times this objective was only incidental to an aroused public's dissatisfaction with the conduct of public business by local officials, i.e., a desire for "economy and efficiency" in local government. A few property tax limitations came into being as companion measures to restrictions on the borrowing powers of local governments. The legislative history, albeit incomplete, suggests also that advocates of tax rate limitations expected them to force property tax reforms upon local governments, including the abandonment of fractional for full value assessment.

" The initial effect of the imposition of tax limitations was to arrest the growth of local property taxes and in some cases to reduce them particularly where their introduction came at the beginning of a period of declining property values. The economic collapse of the 1930's produced the most recent flurry of activity aimed at limiting local property tax powers when several States enacted particularly stringent measures, generally by amending their constitutions.

" Confronted with curtailed property tax revenues local governments had to cut budgets sharply, often crippling governmental services severely. In some cases total collapse of local government was averted only by increased State fiscal aid financed for the most part from new consumer taxes. Many of the State general sales taxes now in use were enacted as crash programs during the early 1930's. All seven States which imposed stringent property tax limitation in 1932 and 1933 (Indiana, Michigan, New Mexico, Ohio, Oklahoma, Washington and West Virginia) almost immediately enacted broad-based sales taxes to permit greater State participation in such functions as education and welfare and enlarged financial aid to local governments.

" Although it is not feasible to isolate the effect of tax limitations from the numerous other influences which were at work, recent property tax revenue trends suggest that the long run effect of the limitations has not been substantial.

" Since World War II the property tax has been exhibiting a vitality and a capacity for growth unanticipated by even its most partisan supporters."

In its recommendations, the Advisory Commission opposes constitutional and legislative restriction. If such restrictions were imposed, they should be in terms of the value of taxable property equalized to full market value; broad limitations in terms of local functions are less likely to be damaging than those

in terms of individual specific functions; they should be restricted to financing of operation and maintenance costs; they should embrace all overlapping local taxing jurisdictions; and the electorate should always have the authority to initiate, by petition, a vote on proposals to exceed prescribed tax limitations.

In Manitoba, if legislative control were considered desirable, one prerequisite for any effective method would be an accurate and uniform relationship, throughout the province, of assessed values to current capital values of real property. Otherwise, the maximum mill rate would have a different meaning in different municipalities. This desirable objective of good assessment has not yet been reached in Manitoba, although it is more nearly approached than in other provinces.

If municipalities and schools had other sources of tax revenues, it would remove some of the difficulty of a legislative maximum for the levy on real property, but our recommendations oppose other important tax sources for local governments.

#### Municipal Control of Schools

Municipal councils are very conscious of their lack of control of the amount to be levied for school purposes, notwithstanding that they have to collect school taxes for the school boards. We were asked to consider recommending that school boards become committees of municipal councils which would put school budgets under municipal control. We were also asked to give municipal councils the right to protest against increases in school taxes.

If the real property tax could be given entirely to municipal governments by excluding school boards from its use, it would remove the conflict and rivalry of the latter with municipal authorities. Such a course may become desirable in the future as was favoured by the Municipal Enquiry Commission, but not by the municipal associations.

What we propose preserves local control and the fiscal independence of the school division board. Apart from a levy on real property of 13 mills for public school costs which will be statutory and uniform over the whole province, the division school boards, with advice from district school boards, will have the power and responsibility, by special levy, to ask municipal councils to raise further sums from real property. Herein lies the discretion to improve and extend the quality of the foundation program of education devised by the province, which pays the residue. Herein lies the discretion to tax which preserves the status of the division board as a local government. It also preserves the objectionable duality of taxation of real property. How can this objection be offset?

Municipal councils might be given the power to reject a special levy which exceeded a specified rate or represented more than a specified increase. If the division school board insisted, appeal might be taken to the Municipal Board, which could very appropriately be given power to settle such an issue. A variation of this restraint on school boards would be to permit any municipal council, affected by an increased special levy of a division school board, to appeal to the Municipal Board.

### Municipal Board Control

It would be possible to use the knowledge and experience of the Municipal Board by asking it to put a brake on controllable expenditures of municipal councils and school division boards. The Board performs such a function with respect to municipal borrowing. One method would be to require either the municipal council or the school division board to apply to the Municipal Board for its consent whenever either the council or the school board proposed to spend, on current account, so much more than the previous year's expenditure, that the effect would be to increase the tax rate or to increase it by more than a fixed per cent.

Alternatively, the consent of the Municipal Board might be required to permit any increase in current expenditure which would have the effect of raising the total tax levy about a specified per cent of the capital value of all assessed taxable property. The specified per cent would be determined by the Board. Other variations could be devised.

The experience of the Board would enable it to relate the tax rate in question to capital value in a municipality or school division, notwithstanding the variations of actual assessment. However, its procedure would have to be expeditious; otherwise, delay by the Board would make budgeting very difficult.

### Ratepayer or Elector Control

A further method would be to devise a means by which ratepayers or electors could express their disapproval of expenditures by municipalities or school boards which wished to raise the tax level above specified percentage rates. This device is used to restrain the borrowing by municipal councils and school boards for capital expenditures, but does not apply to any expenditure from current revenues. Such control would be more direct and democratic than other methods but there are obvious procedural difficulties. It would be too complicated to ask for elector approval of each year's budget. Procedurally, the problem would be to determine when elector approval must be obtained. One possibility would be that, when the level of taxes in the municipality or school division exceeds a specified mill rate, the electors be permitted, by petition, to require their approval to be obtained by vote before there is any increase in either municipal or school levies, or both.

### Conclusions

Legislative limitation of the real property tax rate has not been effective in Manitoba or in other jurisdictions. Even if it were desirable it would present practical difficulties which could only be overcome by a high standard of uniformity in assessments. In principle, it is offensive to the democratic rights of the taxpayers as electors. The other methods for controlling the level of real property taxation present such difficulties that we are not able to select and recommend any one of them in precise terms.

Nevertheless, we repeat our conviction that there ought to be a limit to the amount of the annual levy against a person's real property. If the responsibility to observe these limits rests with both the municipal council and the school division board, the prospects for the real property taxpayer are not good. In principle, taxpayers as electors should be able to tax themselves for whatever



amount they agree upon in order to receive the services they want. The application of this principle is not so simple when competing governments and their electors are involved. Would it not be desirable, when the usefulness of the municipal tax is threatened by excessive levies, that the taxpayers, through their provincial representatives, should find other means of paying for the services which they insist upon having? If this question is answered affirmatively, then the Province is brought in to restore the balance, as we propose it should do at this time, by transferring many millions of dollars from realty taxpayers to sales tax payers.

However, it would not be desirable that municipal councils and school boards should be able to count on being rescued in this manner from their own extravagance whenever the realty tax got too high. The Provincial Government should not have to step in again unless a general upward movement in real property taxes made it evident that such revenues had become inadequate to support municipal services without a further reduction in the school tax. Recommendation 27 is drafted to indicate that, in such a case, we would consider that the responsibility of the Provincial Government had not been finally discharged by the acceptance and implementation of our recommendations. In a few years' time it might have to assume a further part of the costs of public school education so as to free more of the property tax for use by the municipalities. Much depends on the necessities of municipalities as they carry out the more limited functions which we have assigned to them. We have expressed confidence that the real property tax will be adequate at reasonable rates of taxation to sustain the services which are designated as the exclusive responsibility of municipalities.

One weakness in the program is that special school levies may again encroach on municipal tax preserves as we have marked them out. If this happens, the Provincial Government may have to act again as it is now advised to do. Alternatively, it might put school division boards under the restraint of one or other of the methods of control which we have just considered. If, in the meantime, our recommendations for the assessment of all land and buildings at full value and the improvement of assessments generally throughout the province had been carried out so that the true burden of real property taxation could be readily measured and appreciated, it would be possible to expect the electors to exercise a reasonable restraint on the current expenditures of school boards in their own best interests as taxpayers.

PART C - ASSESSMENT OF THE VALUE OF REAL PROPERTY

## Recommendation 28

UNIFIED ASSESSMENT SERVICE. THE ASSESSMENT BRANCH OF THE DEPARTMENT OF MUNICIPAL AFFAIRS SHOULD BE CHARGED WITH THE RESPONSIBILITY FOR ASSESSMENT OF REAL PROPERTY FOR TAXATION IN ALL MUNICIPALITIES, EXTENDING ITS PRESENT SERVICE AS SOON AS POSSIBLE TO THE FOLLOWING SIX MUNICIPALITIES WHICH STILL HAVE THEIR OWN ASSESSMENT STAFFS: THE CITIES OF BRANDON AND PORTAGE LA PRAIRIE AND THE TOWNS OF DAUPHIN, FLIN FLON, SELKIRK AND THE PAS, AND EVENTUALLY TO THE METROPOLITAN AREA MUNICIPALITIES, AFTER A SUITABLE PERIOD FOR ADJUSTMENT AND TRANSFER OF THE ASSESSMENT DEPARTMENT OF THE METROPOLITAN CORPORATION OF GREATER WINNIPEG.

## Recommendation 29

COST. THE ENTIRE COST OF THIS ASSESSMENT SERVICE BY THE PROVINCE SHOULD BE CHARGED TO AND PAID BY THE MUNICIPALITIES CONCERNED.

## Recommendation 30

INTERVAL OF ASSESSMENT. THE MANDATORY PERIOD OF SEVEN YEARS FOR REASSESSMENT IS TOO LONG. WE RECOMMEND COMPLETE RE-ASSESSMENT AT INTERVALS RANGING FROM A MAXIMUM OF FIVE YEARS DOWN TO ONE YEAR, DEPENDING ON THE RATE OF CHANGE OF PROPERTY VALUES IN DIFFERENT COMMUNITIES. FOR EXAMPLE, ALL PROPERTY IN METROPOLITAN WINNIPEG SHOULD BE REVIEWED EVERY THREE YEARS AND ANNUAL REVIEWS SHOULD BE MADE OF LAND IN AREAS OF RAPIDLY RISING VALUES.

## Recommendation 31

STAFF. THE STAFF OF THE PROVINCIAL ASSESSMENT BRANCH SHOULD BE INCREASED AS MAY BE NECESSARY TO GIVE EFFECT TO THESE RECOMMENDATIONS.

## Recommendation 32

RECORDS. ASSESSMENTS SHOULD BE CLASSIFIED IN THE ROLLS SO AS TO MAKE IT POSSIBLE TO DISTINGUISH ASSESSMENTS ACCORDING TO THE USE OF THE PROPERTY, THAT IS, FARM AND NON-FARM, BUSINESS, RESIDENTIAL AND NON-BUSINESS PROPERTIES AND THE DIVISION OF ASSESSMENTS BETWEEN LAND AND BUILDINGS. THE RECORD OF EXEMPT PROPERTY SHOULD ALSO BE KEPT UP-TO-DATE.

## Recommendation 33

EQUALIZED ASSESSMENTS. TO GIVE A BETTER COMPARATIVE VALUE OF THE FISCAL CAPACITY OF MUNICIPALITIES, EQUALIZED ASSESSMENTS SHOULD INCLUDE THE ASSESSED VALUE OF SUCH PERSONAL PROPERTY AS CONTINUES TO BE TAXABLE AND THE ASSESSMENT BASE FOR THE BUSINESS SURTAX.

### Recommendation 34

CAPITAL VALUE. GREATER ATTENTION NEEDS TO BE PAID TO THE RELATIONSHIP BETWEEN ASSESSED VALUE AND CAPITAL (CURRENT, REAL OR MARKET) VALUE OF PROPERTY OF ALL KINDS. THERE IS NOW AN INCREASING NUMBER OF SALES OF FARM PROPERTIES AND A MOST VIGOROUS EFFORT SHOULD BE MADE TO RELATE FARM ASSESSMENTS TO TYPICAL MARKET VALUES OF FARM PROPERTIES AND TO ENSURE THAT THIS RELATIONSHIP IS THE SAME FOR FARM PROPERTIES AS FOR OTHER CLASSES OF PROPERTY.

### Recommendation 35

REVISION PROGRAM. THE REASSESSMENTS OF TAXABLE LANDS AND BUILDINGS WHICH WILL BE NECESSARY TO INCORPORATE THE VALUE OF FARM BUILDINGS NOW EXEMPT AND THE FULL VALUE OF OTHER BUILDINGS NOW EXEMPT FOR ONE-THIRD OF THEIR VALUE (SEE RECOMMENDATION 41) SHOULD BE MADE WITH THE FOLLOWING CONSIDERATIONS IN MIND:

- (a) ALTHOUGH THE ASSESSMENT OF FARM BUILDINGS WILL REQUIRE AN ACTUAL PHYSICAL APPRAISAL WHICH WILL TAKE SOME TIME EVEN WITH A SUBSTANTIALLY INCREASED STAFF OF ASSESSORS WHEREAS THE RAISING OF THE ASSESSMENT OF OTHER BUILDINGS COULD BE DONE STATISTICALLY FROM EXISTING INFORMATION, IT IS HIGHLY DESIRABLE THAT THE INCORPORATION OF BOTH OF THESE NEW ASSESSMENTS IN THE ROLLS FOR TAXATION SHOULD BE DONE AT THE SAME TIME IN EVERY MUNICIPALITY AND PREFERABLY IN ALL MUNICIPALITIES THROUGHOUT THE PROVINCE SO AS TO AVOID UNNECESSARY SHIFTING AND DISTURBANCE OF THE INCIDENCE OF TAXATION AS BETWEEN RURAL AND URBAN TAXPAYERS; AND
- (b) ALTHOUGH ALL ASSESSMENTS OF LAND AND BUILDINGS ARE TO BE MADE AT 100 PER CENT OF THEIR VALUE, IT IS DESIRABLE FOR GOOD ASSESSMENT PRACTICE TO ENTER THE ASSESSMENT OF ALL LAND AND BUILDINGS IN THE ROLLS FOR TAXATION PURPOSES AT A FIXED AND UNIFORM PERCENTAGE OF VALUE. FOR THIS PURPOSE WE RECOMMEND THAT THE ASSESSMENTS, AFTER BEING COMPLETED AT FULL VALUE, BE REDUCED TO AND ENTERED AT 50 PER CENT OF FULL VALUE, WHICH HAS THE ADVANTAGE OF PROVIDING A SIMPLE RELATIONSHIP TO THE CURRENT CAPITAL VALUE AS WELL AS BEING ONLY SLIGHTLY ABOVE THE AVERAGE OF EXISTING ASSESSMENT-SALES RELATIONSHIPS THROUGHOUT THE PROVINCE.

### Introduction

Good assessment practices are essential to the proper use and control of the taxation of real property. Uniformity in the valuation of land and buildings (or 'improvements' which is used interchangeably for 'buildings') is the key to:

- (1) equity among real property taxpayers within each municipality;
- (2) equity among taxpayers generally throughout the province because of the use of the assessed value of real property as the principle means of comparing the tax resources of local authorities in the equalization of inter-governmental payments;
- (3) appreciation by the real property taxpayer, as well as by the taxing authorities, of the real burden of the levy on real property in relation to the current or capital value of the property being taxed. The rate of tax must be readily understood in these terms if there is to be an informed public opinion to act as a brake on excessive levies, as well as to enable the individual taxpayer to assist the assessment process by appealing his assessment if it is out of line; and
- (4) comparison of tax levels among Canadian provinces.

An effective assessment service will have particular importance during the next two or three years if our principal recommendations with respect to municipal taxation are adopted. Provincial assessors will have the responsibility of carrying out several major reforms. They will have to assess all farm buildings, or at least to include in farm assessments the value which is given to the farm by its buildings. As there are over 43,000 farms in Manitoba, this task alone will require the concentration, at once, of a substantial and competent staff of assessors. The second major responsibility will be to revise the assessment of business premises to give effect to our recommendation for the remodelling of the business tax. A third will be to raise the assessed value of buildings to 100 per cent from the present  $66 \frac{2}{3}$  per cent of value. It is anticipated that after the initial clerical work has been done there will be a slight reduction in the work of the assessor. In the process of assessment the assessor now values buildings at 100 per cent and then reduces the value to two-thirds. Under our proposal this last step will be eliminated. Although the amount of work involved in raising the assessed value of buildings to 100 per cent is comparatively small and could be done quickly, it is important to note that for the sake of equity it should only be given effect on the assessment roll at the same time as the values of farm buildings are placed on the roll.

With respect to clause (b) of Recommendation 35, the recording of assessments at 100 per cent of current value creates embarrassing problems at a time when real estate prices are dropping. Most people strongly object to having their property assessed at more than the price for which they can sell it. Even though the law requires, and we have recommended, assessment of all land and improvements at 100 per cent of their capital value as a unit, in practice it is preferable, after having made this assessment, to reduce the assessment figure by a fixed factor. At present, this factor varies from one jurisdiction to another.

The fraction of 50 per cent is easy to work with and establishes a ratio between assessment and sales value which is simple and easily appreciated by the taxpayer. If he wishes to convert his tax bill to a percentage of the current value of his property, all he has to do is to divide the tax bill by two. For example, 40 mills (4 per cent on the assessed values of 50 per cent of full value) when divided by 2 gives 20 mills, or 2 per cent of the full current capital



value or selling price. We have therefore recommended that, when buildings are raised to 100 per cent, the total assessed valuation of the property will represent as nearly as possible 50 per cent of current market value.

All of these temporary responsibilities will be additional to those permanent duties which are involved in recommendations at the head of this part. Altogether, assessment, which has always been an important function of local government, will take on additional significance. For all of these reasons we have enquired carefully into the methods, practices, machinery, and the effectiveness of assessment in Manitoba. The results of these studies are considered in this part.

#### Distribution of Responsibilities for Assessing in the Province

The eight separate assessment jurisdictions within the Province of Manitoba are as follows:

Province of Manitoba,  
Metropolitan Corporation of Greater Winnipeg,  
City of Brandon,  
City of Portage la Prairie,  
Town of Dauphin,  
Town of Flin Flon,  
Town of Selkirk, and  
Town of The Pas.

The Municipal Assessment Branch of the Province assesses all property in Manitoba, both urban and rural, with the exception of properties in The Metropolitan Corporation of Greater Winnipeg, which is governed by the Metro Act, the Cities of Brandon and Portage la Prairie, and the towns mentioned above, all of which are responsible for assessment within their respective boundaries. Brandon and Portage la Prairie are governed partly by their own charters and partly by The Municipal Act.

There is no overlapping of authority between the several bodies and it appears that a high degree of co-operation exists among them. Nevertheless, a better quality of assessment would result if the assessing function throughout the province were not divided among eight independent jurisdictions but unified under one administration. Any move toward greater uniformity in training of assessors, and procedures and techniques of assessment, is likely to increase the consistency of valuation and the degree of equalization achieved throughout the province. For this reason, it is recommended that the Municipal Assessment Branch assume sole responsibility as soon as possible for assessment in all local government jurisdictions in the province with the exception of The Metropolitan Corporation of Greater Winnipeg. Here too, assessment should be merged with the Municipal Assessment Branch after a suitable period for adjustment and transfer of the service.

#### Assessment Interval

By section 1017 of The Municipal Act, all exempt and taxable property must be reassessed at least every seven years, yet in many municipalities this rule is not observed. Since assuming its responsibilities in 1951, the Municipal Assessment Branch has undertaken to reassess all municipalities within its jurisdiction. It has made steady progress, but the Branch has

been unable to carry out its program at a rate which will produce reassessments within the statutory period. In addition, the Branch has been unable to make more frequent reassessments in the more active communities. It has been necessary, as in other assessing jurisdictions, to adopt unrevised assessment rolls year after year beyond the statutory limit.

It is highly desirable that the mandatory period for reassessment be strictly observed and be shortened from seven years to provide reassessments at intervals ranging from five years down to one year, depending on the activity and rate of change in property values.

#### Basis of Valuation

The statutory authority for assessment and its calculation is in The Municipal Act and in the charters of those municipalities which do not come under The Municipal Act. In brief, the provisions are that land shall be assessed at its value, the final test being that each assessment shall bear a fair and just relation to the amounts at which other properties are assessed. Buildings are assessed at two-thirds of their value. Personal property is also assessed at its value. By statute, the assessor must value land and buildings separately.

Levies against real property assessment and personal property are expressed in mills on the dollar of assessed value. A mill is 1/1000th of one dollar or 1/10th of one cent. The levy on business tax assessment is calculated as a percentage of the annual rental value. In some jurisdictions this percentage is set by statute, while in others, the rate, within a statutory limit, is set by the municipal council each year.

Properties tend to fall naturally into groups depending on their use and each requires special and separate attention. The following categories are considered:

- residential property,
- business property (commercial and industrial),
- farm land, and
- buildings (residential and business).

#### Residential Property

Residential land is valued by sales wherever possible. Where there are no sales or they are insufficient to give a clear indication of value, the assessor turns to comparisons and mechanical aids. These may include comparison with land in other areas where value is known, weighted to compare with the subject, interpolation between known values, a 'point' system, or a combination of any of them. Conventional or mechanical aids in determining land values have their limitations, and in many instances the assessor's judgment and sense of value is the determining factor. If assessments are reviewed regularly there is no reason to believe that the best available indication of value will not be used.

#### Business Property

Commercial and industrial land lends itself to tests of value other than indicated by sales, although here too, sales of sufficient quantity must be considered the prime indicator. Land residual methods, in built-up areas where

rents are known, are used both to establish land values and to supplement the indications obtained by a study of sales. This is a technique whereby the net rental returns on a property are divided between the amount earned by the building (the approximate value of which must be capable of close estimation) and the land. The residual earnings attributable to the land are then capitalized into an indicated land value.

### Farm Land and Buildings

The valuation of farm land is a special study but it is based essentially on the earning capacity of the soil over a period of 20 years. The system recognizes only the productivity of the soil at its highest and best use for purposes of raising crops with no allowance being made in the assessment for the type of operation which is conducted on top of the soil. Where possible, the accuracy of assessment arrived at in this manner is tested by sales data.

It is worth spending a moment on the difference in valuing farm and other types of land. Though the assessment of farm land relies on capitalized productivity, and the latter on sales data, both are simply different methods of estimating market value. Sales of farm land are infrequent, but when they occur, the productivity of the soil is reflected in the selling price because it is that productivity which gives value to farm land. If market data were plentiful, farm land valuation could be based on this criterion, but since such information is not generally available in sufficient quantity to serve as a sound guide, an estimate of market value must be made by capitalizing the value of land on the basis of its productivity and checking the result against such sales data as are available. Valuation of farm land, therefore, is based on essentially the same criterion as other land but the insufficiency of market data necessitates the estimation of value on the basis of income as reflected in productivity rather than on sales.

The assessment of farm buildings does not necessarily require that they be assessed separately from land. There are two ways in which these assessments can be made. First, improvements can be individually measured and assessed on the basis of what they add to the value of the land. Presumably this type of valuation would place some weight on the estimated replacement cost of a farm building less allowances for depreciation and obsolescence. These allowances would in many cases be very large relative to replacement cost. Alternatively, farm land and buildings can be valued as a unit by capitalizing the estimated income which they jointly produce. In this case, it is necessary to use a capitalization rate which will produce an assessed value bearing the same relationship to the market value that exists between assessed value and market value for other classes of property in the province. In this instance, while the income per acre to be capitalized would be largely based upon the productivity of the soil, some weight - normally only a small amount - would be given to buildings. If the assessed income assumed the existence of a normal value of farm improvements for the particular type of farming operation, the adjustment for improvements could be negative as well as positive - being negative in those cases where buildings were sub-standard.

In either case, the important objective is that the farm as a whole be assessed at the same level in relation to market value as other types of property in the province. In our hearings we were often told that farm buildings added

nothing to the price which would be paid for a farm today. There seems to be some justification for this view. The increase in the average size of farms, which has been going on steadily for some years, combined with the movement of population from rural to urban communities, has put farm buildings in excess supply. They are not taxed and when they cannot be used or sold are often left to rot. As one man expressed it, "If they were taxed, these unused and unsightly buildings at least would be torn down."

A special problem in the valuing of farm land arises when the production does not come from the soil of the farm itself. Examples are the so-called milk factories, egg and poultry farms, and mushroom farms. These occupy farm land but do not depend directly on the land for their product. Because the specific case of milk farms was brought to the attention of your Commission, the following discussion uses milk factories as an example, although the principles are the same for the other cases.

Milk factories do not rely on the soil to support dairy herds. Cows are nourished with purchased feed giving the operation a flexibility in choice of site and soil that is limited only by the very wide boundaries of the Winnipeg 'milk-shed' (or milk-sheds of other urban centres) and the obvious desirability that the 'factory' be located on the cheapest land available, generally low value pasture land.

Farm land must be valued according to the highest and best use of the soil. The assessor, if he is to be consistent in observing this rule, must value the land on the basis of the maximum potential productivity of the soil without regard to its actual use. For example, if prime wheat land is used for pasture, it still must be valued according to its highest potential use. Extending this principle to land occupied by milk factories, the assessor must make his valuation on the basis of the soil of pasture land without regard to the value of the milk which is being produced on it.

This produces the anomaly of identical valuation as pasture land of two similar properties, one occupied by a valuable dairy or milk factory and the other supporting range bush. If there is to be equity in farm land assessment, there must be consistency in valuing the production taken off the land.

The case of such specialized land uses should not escape the tax machinery of the municipality, but it would be unwise to exploit this source of revenue by warping the property tax.

To some extent the 'milk factory' anomaly would be corrected by the removal of the exemption from taxation of buildings on farm land.

In valuing milk factories and other agricultural operations where the value of the property is not dependent on the value of the soil, land and buildings should be valued separately. The land should be valued on the basis of its highest and best use (presumably the actual use to which it is being put). The value should not include anything in respect of a franchise since the latter is not real property. This recommendation is, of course, dependent on the exemption of farm improvements being removed so that, directly or indirectly, account is taken of improvements on farms generally.



## Buildings Generally

Residential buildings are assessed on a structural cost basis less depreciation. A standard assessment manual is now in use throughout all assessing jurisdictions with the exception of the Town of Selkirk. To ensure that this method properly relates assessment to value, it is compared periodically with sales data.

Business or commercial and industrial buildings are also assessed on a structural cost basis with the further check of capitalized income being applied when possible. In large centres such as the City of Winnipeg, where a great deal of rental data is available, gross income multipliers have been developed from known sales and these are applied to actual rents of similar properties to give an indication of market value. The valuation of commercial property involves special problems in the calculation of obsolescence in cases where there has been a marked change in land use and where no alternate use can be made of the property.

### Program for Removal of Exemptions of Buildings

In Part D of this chapter it is proposed that the existing exemptions from assessment of the value of farm buildings and of one-third the value of other buildings be removed, and the effects of such removal are considered, particularly the change in the incidence of taxation as between owners of different types of property. If these recommendations are accepted and both exemptions are eliminated simultaneously, changes in the incidence of taxation would not be great and serious dislocations would be avoided in all but a few exceptional cases. On the other hand, if the removal of partial exemptions from business, residential and other non-farm buildings is undertaken alone, substantial changes in tax incidence would be quite general. The effect would be particularly severe in unincorporated hamlets in rural areas and in rural municipalities adjacent to Winnipeg. It is important, therefore, that exemptions be removed from both farm and non-farm properties at the same time. This requires some planning.

At the present time, farm buildings are not assessed and their addition to the assessment rolls is a task of some magnitude. Even with substantial additions to the staff of the Assessment Branch, as recommended, it is bound to take several years to complete the reassessment of over 43,000 farms so as to include the value of buildings. On the other hand, the removal of exemptions of non-farm buildings requires no more than a simple mathematical calculation which could be effected at any time. Recommendation 35 proposes that both programs be completed and put into effect in the same taxation year.

### Equalization of Assessment

#### The Method

Section 994 (2) of The Municipal Act states as follows:

" The basis of the equalization made under subsection (1) shall be the full value of all real property and two-thirds of the value of all buildings subject to assessment and taxation, including the amount of the assessment

(a) of railway roadway and superstructure thereon and of pipe lines as defined and fixed by this Act, and on which taxes are paid; and

(b) of any property of an industry or utility that has been fixed by agreement or statute below its assessed value, at the amount so fixed; and

(c) where grants in lieu of municipal taxes are paid to a municipality, including The City of Winnipeg and The City of St. Boniface, by the Government of Manitoba, the Government of Canada, a corporation partnership, or person, the amount of the assessment that, if the property were liable to municipal assessment and taxation under this Act or The Winnipeg Charter, 1956, or The St. Boniface Charter, 1953, would produce taxes equivalent to the amount of the grants."

The purpose of the assessing function is to discover the value of all properties, taxable and exempt, within each municipal corporation. It does not necessarily follow, as is often assumed, that identical properties in different municipalities should necessarily bear the same assessed valuations. Properties of equal age, physical condition, and capital cost in two municipalities, such as Neepawa and Winnipeg Beach, are subject to different local conditions which materially affect their relative values. A scarcity of residential or commercial buildings, buoyant or stagnant economic conditions, and the presence of community amenities and services all influence the value of properties in individual municipalities. Consequently, the problem is to discover the local value of land and improvements if there is to be relative equality of assessment throughout the province.

If, in all municipalities and for every type of property, there were sufficient sales to give a clear indication of value, assessment would be a simple matter. In the absence of this information, artificial means, already described, must be used to determine the value of improvements. Land, on the other hand, cannot be reproduced, nor its value reconstructed by artificial means. Its value must be determined directly from local sales.

Thus, land and improvements are initially valued on two different bases: land on the basis of local market value, and improvements on uniform reproduction costs. They are made comparable by the application of an index which adjusts the assessment of improvements to local values in relation to values in other parts of the province. By applying the index to actual assessments which are developed on the basis of costs in the City of Winnipeg, a local scale of values is developed for improvements, bringing uniformity to the assessed values of land and improvements. In other words, a provincial standard or norm is developed against which values in each community can be measured. Indices express this relationship. The Assessment Branch has taken, as the standard for its assessing jurisdiction, values occurring in the Town of Neepawa and assigned to that municipality an equalization index of one. The values in all other municipalities assessed by the Province are graded relative to Neepawa.

Neepawa was selected as the 'standard' municipality because, at the time the Provincial Government assumed its assessment responsibilities, the Town was the largest municipality and had a sufficient range of active characteristics influencing its property values (property sales, economic growth, community services and facilities, etc.) to qualify it as a well-rounded, dynamic community against which values in other municipalities could be measured. Larger municipalities such as the City of Winnipeg and the Town of Winkler, for instance, are considered to have comparable levels of value and consequently are assigned the same index of one. This means that actual assessments of improvements in all municipalities having indices of unity are equalized without the application of locational factors.

The development of indices for individual municipalities involves consideration of a number of factors which are compared with similar indications of value in the 'standard' municipality. First, the amenities and services present in each municipality are considered. Second, the economic trends in the community, as reflected in population change, new construction, and industrial and commercial activity, are evaluated. Third, the sales value of properties in Neepawa and each individual municipality, expressed as a ratio of the actual assessed value, are compared. These indications are taken together to develop indices of local values as compared with values in the 'standard' provincial municipality.

Wherever possible, the last factor, market value, is given the greatest weight in the calculation of indices since it is the most tangible, least speculative measure of relative value. An example will illustrate a simplified calculation of an index for one municipality for which it is assumed there is adequate sales data.

Remembering that the actual assessed value of improvements in the province (with exceptions noted above) are calculated on a standard reproduction cost basis, it follows that the value of property sales indicates the comparative level of local values which must be reflected in actual assessment. If the level of sales of similar properties in the Town of Winnipeg Beach is lower than a similar ratio in the 'standard' municipality of Neepawa, the value of property in the former is lower than in the latter.

Over a three-year period, sales prices of properties in Winnipeg Beach have been 10 per cent below those of similar properties in Neepawa. Thus, the value of improvements in Winnipeg Beach is generally 90 per cent of those in Neepawa. An index of .90 would be assigned, and improvements in both towns, with actual assessments (adjusted reproduction cost) of \$10,000, would be valued at  $\$10,000 \times 1.00$  or \$10,000 in Neepawa, and  $\$10,000 \times .90$  or \$9,000 in Winnipeg Beach. By means of similar calculations, actual assessed values in each town, village and hamlet of the province are adjusted to reflect local values.

However, in practice, it is very often the case that there are insufficient sales data to allow much use to be made of relative market values in calculating indices. To illustrate this problem, in only 13 rural municipalities during the three-year period 1959 to 1961 were there more than 50 sales of the most actively traded type of property - farm lands with buildings. The municipality with the strongest property market had 98 such sales, which is only 33 a year.

Consequently, it appears likely from discussions with the Assessment Branch, that the majority of indices must be determined on the basis of a weighted 'point system' whereby the level of value of individual municipalities is estimated by the Provincial Assessor. A standard procedure for the process involves the assignment of points for various indices of growth and services in each municipality. This preliminary evaluation of factors influencing local values is weighted by such sales data as may be available locally, or interpolated from surrounding municipalities, and a personal judgment of value in the community by the assessor.

As a general proposition, the closer indices of local value can be brought to market values, the greater will be the chances of achieving equalization of value among municipalities. But among the many sparsely settled rural municipalities of the province, the frequency of sales is usually so low that some other measure must be used. The 'point system' of determining relative local values, leaning heavily on personal judgment, is only as good as the individual making each estimation. The degree of equalization achieved through 'indexing' depends on highly qualified, well-trained assessors.

There is one other point with regard to indexing that should be mentioned. At present, the aggregate sales/assessment ratio of each municipality is compared with that of the 'standard' municipality. Ratios for residential, commercial and raw land are taken together for comparison. This approach is probably dictated by the inadequacy of sales data for each type of property. But, in cases in which this is not an impediment, and in the future as sales transactions increase in expanding communities, indices should be calculated on the basis of ratios for each individual type of property rather than on aggregate figures. If this is not done, the varying weights attributable to each type of property entering the aggregate figure distort the final index.

The system of indexing is intended to equalize the level of valuation of improvements within the assessment jurisdiction of the Assessment Branch and other jurisdictions, such as Metro Winnipeg, in which values are comparable to those developed by the Province. However, there remains a number of municipalities in which the value of improvements is not in accord with the general level, and a second set of equalization factors has been developed to compensate for differences in the level of assessment between differing assessment jurisdictions. These factors again are based on comparative sales/assessment data, and provide an equalized assessment for purposes of provincial grants.

In a number of other instances, equalization factors have had to be developed for municipalities within the jurisdiction of the Assessment Branch. This has been due to the extraordinary growth of some municipalities and accompanying rapid changes in property valuations. One effect has been that the initial indices assigned to these municipalities no longer reflect value. Instead of revising the index, it is found to be more convenient simply to apply an equalization factor pending a complete reassessment of each municipality and development of new indices. This course is dictated by the inability of the Assessment Branch to keep actual assessments of such communities up-to-date, since, for strategic reasons, it is understandably felt that increases in the assessment of individual properties, resulting from the application of revised



indices, should in each case be preceded by a complete reassessment of the municipality. Though the substitution of equalization factors for revised indices provides a satisfactory basis of equalization, the necessity for doing so reflects a problem of staffing in the Branch.

In addition to the total assessed value of their land and improvements, the equalized assessments of municipalities include the amount of assessment of railroad rights-of-way and pipelines, the assessment of any industry or utility fixed by agreement or statute, and an assessment equivalent of the value of grants in lieu of taxes on exempt properties of the Dominion and Province. Business tax assessments and personal property assessments are not included.

At the present time, personal property assessment and business tax assessment (rental value) is added to the equalized assessment to produce the 'balanced assessment' for the purpose of the schools grants formula. In accordance with our recommendations, equalized assessment in the future will include the assessed value of such personal property as continues to be taxable and the assessment base of the business surtax, as recommended. Thus the 'balanced assessment' would disappear or cease to be different from the equalized assessment.

#### Evaluation of Equalization in the Province

Under existing conditions, there is a relatively good degree of equalization, but there is room for improvement. The principles and methods employed in the assessment and equalization process are sound. Some of the conditions which have been noted above impede the achievement of a better record.

Table 8 shows the degree of equalization which has been achieved by comparing the average relationship of assessment to sales value, according to the type of property within each class of municipality. However, the proportion of samples used, in relation to the total number of actual sales contributing to the development of the sales/assessment ratios, varies to such an extent that a rigorous interpretation of these data is not advisable. They are offered simply for want of a better analytical tool, and because, if approached with caution, they suggest certain trends which are useful in an evaluation of equalization.

Table 8. - Sales/Assessment Ratios of Property by Class of Municipality for a Three-Year Average (1959-61)

	Villages	Towns	Cities	Average
Urban:				
Residential <sup>1</sup>	61.5	63.0	52.0	58.8
Commercial <sup>1</sup>	59.0	63.0	54.0	58.6
Unimproved Land	51.5	39.0	20.0	36.8
Average	57.0	55.0	42.0	
	Rural Municipalities			
	Non-Farm	Farm		
Rural:				
Land and Buildings <sup>1</sup>	48.5	-		
Improved Land	-	40.0		
Unimproved Land	33.0	43.0		
Average Rural Municipalities	41.0			

<sup>1</sup> Assessment of improvements at full assessed value of 100 per cent.

Our conclusions regarding equalization of assessment may be summarized as follows. Sparse settlement in the province and infrequent property transactions complicate the equalization of assessment. Personal judgement of assessors and interpolated sales data must be heavily relied upon. Assessors appear to have availed themselves of all practical indicators of value.

In spite of these problems, assessments are equalized to a relatively high degree. Values assigned to raw land and the general level of assessment in rural municipalities appear to be low. Lack of sales data and the unavoidable reliance on less conclusive measures of local value result in a less satisfactory degree of equalization in smaller municipalities than in larger ones.

#### Staffing of Assessment Branch

The staff of the Assessment Branch of the Department of Municipal Affairs appears to be too small for the duties which have been imposed upon it. The evidence for this is as follows. In 1950, the Assessment Branch was given responsibility to carry out reassessments in all municipalities in the province with the exception of seven cities. This program has not yet been completed, thirteen years after its commencement. Some municipalities, which have experienced rapid growth or decline resulting in substantial changes in value, have not been reassessed. Where this has occurred, the Assessment Branch has had to apply a special factor to equalize assessments relative to other municipalities.

This means that many municipalities are now overdue for complete reassessment even under the present statutory requirements.

In addition to the foregoing, the need for additional staff should be considered in the light of recommendations which we have made and are summarized as follows:

- (1) The Assessment Branch should eventually be responsible for real property assessment in all municipalities in the province.
- (2) A complete reassessment should be made at intervals ranging from a maximum of five years down to one year.
- (3) Farm buildings should be assessed as quickly as possible and the assessed value of buildings should then be raised to 100 per cent from 66  $\frac{2}{3}$  per cent.
- (4) The assessment records should be classified so as to show the use of the property, that is, farm and non-farm, business, residential and non-business and the division between land and buildings.
- (5) Business tax assessments should be revised.

In taking on new members, an attempt should be made to achieve better balance in personnel. There is a particular need for securing persons with experience in the valuation of buildings and non-farm property. It is not necessary that such persons be university graduates. In recasting the staff, top management should be given the time to enable it to concentrate on the essential problem of achieving equity as between taxpayers of different classes or residing in different municipalities.

Cost of Assessment Branch

Assessment of real property is strictly for the benefit of municipalities. This fact is not altered by assigning the administration of the service to the Province for the sake of ensuring as much uniformity in assessments as is possible. We therefore recommend that the full cost of the Assessment Branch of the Department of Municipal Affairs be charged to the municipalities.

PART D - EXEMPTIONS

## Recommendation 36

CROWN AGENCIES. MANITOBA HYDRO'S FIXED GRANTS ON THE DISTRIBUTION SYSTEM OF THE WINNIPEG ELECTRIC COMPANY SHOULD BE REPLACED BY GRANTS EQUAL TO FULL TAXES. CROWN AGENCIES OF A COMMERCIAL KIND SHOULD CONTINUE TO PAY GRANTS IN LIEU OF THE FULL TAX RATE INCLUDING BUSINESS TAX OR BUSINESS SURTAX. NON-COMMERCIAL CROWN AGENCIES SHOULD PAY GRANTS IN LIEU OF TAXES ON THE SAME BASIS AS DEPARTMENTAL PROPERTIES.

## Recommendation 37

PROVINCIAL CROWN LANDS. GRANTS IN LIEU OF REAL PROPERTY TAXES ON NEARLY ALL TYPES OF DEPARTMENTAL PROPERTY OF THE PROVINCE OF MANITOBA WHICH RECEIVE MUNICIPAL SERVICES SHOULD BE PAID ANNUALLY TO THE MUNICIPALITIES CONCERNED INCLUDING THE FOLLOWING: UNIVERSITIES, COLLEGES AND MEDICAL COLLEGES; TEACHERS' COLLEGE; VOCATIONAL AND TECHNICAL SCHOOLS; REFORM SCHOOLS; SCHOOLS FOR MENTAL DEFECTIVES; JAILS, COURT HOUSES, LAND TITLES OFFICES; PROPOSED REGIONAL BUILDINGS; PROVINCIAL POWER TRANSMISSION LINES; HOSPITALS; MENTAL HOSPITALS; TUBERCULOSIS SANATORIA; COMMUNITY PASTURES; UNIVERSITY AND SCHOOL LANDS AND OTHER CROWN LAND UNDER ANNUAL LEASE OR PERMIT FOR GRAZING OR HAY, OR GENERAL PERMIT; LIEUTENANT-GOVERNOR'S RESIDENCE; LEGISLATIVE BUILDING, ETC., BUT EXCLUDING THE FOLLOWING: UNPATENTED LANDS; PROVINCIAL FOREST RESERVES; HIGHWAYS AND ROADS OPEN TO THE PUBLIC AND ROAD ALLOWANCES; FLOODWAYS AND DRAINAGE RIGHTS-OF-WAY; PROPERTY LEASED TO OR OCCUPIED BY A PERSON HAVING A TAXABLE INTEREST THEREIN; FARM BUILDINGS (SO LONG AS THESE CONTINUE EXEMPT FOR OTHERS); STRUCTURES, THAT IS, IMPROVEMENTS WHICH ARE NOT BUILDINGS AND IN WHICH PEOPLE CANNOT WORK; AND MINERALS.

## Recommendation 38

PROCEDURE. THE PROVINCIAL GOVERNMENT SHOULD KEEP THE RIGHT, EXERCISABLE ON ADVICE FROM THE PROVINCIAL MUNICIPAL ASSESSOR, OR THE LOCAL ASSESSOR IN CITIES AND TOWNS NOT PROVINCIALLY ASSESSED, TO ESTABLISH THE VALUES UPON WHICH THE GRANTS WOULD BE PAID. THE GRANT SHOULD BE PAID TO THE MUNICIPALITY AND BE BASED NORMALLY ON THE FULL TAX, AVOIDING SERVICE DEDUCTIONS APART FROM EXCEPTIONAL CIRCUMSTANCES. NO GRANTS SHOULD BE PAID ON DEPARTMENTAL PROPERTY IN LIEU OF BUSINESS TAX.

## Recommendation 39

LIMIT OF GRANT. THE GRANT TO ANY MUNICIPALITY SHOULD NOT EXCEED A FIXED PERCENTAGE OF FIVE PER CENT OF THE CURRENT REAL PROPERTY TAX LEVY OF THE MUNICIPALITY INCLUDING LEVIES FOR SCHOOL OR OTHER SPECIAL PURPOSES, OR \$10,000, WHICHEVER IS THE GREATER.



#### Recommendation 40

LEGISLATIVE BUILDING. THE GRANTS FOR THE LEGISLATIVE BUILDING IN WINNIPEG SHOULD BE LESS THAN THE EQUIVALENT OF THE REAL PROPERTY RATE ON ITS FULL ASSESSED VALUE BECAUSE OF THE RELATIVELY FEW PEOPLE WHO OCCUPY IT IN COMPARISON WITH TAXABLE OFFICE BUILDINGS. THE AMOUNT OF THE GRANT SHOULD BE IN THE DISCRETION OF THE GOVERNMENT. A FORMULA SUGGESTED IN THIS PART WOULD PRODUCE AN INITIAL PAYMENT OF \$100,000 ANNUALLY WHICH SHOULD BE REVIEWED PERIODICALLY.

#### Recommendation 41

REMOVAL OF EXEMPTIONS. FOR PURPOSES OF TAXATION, REAL PROPERTY SHOULD BE TREATED AS A WHOLE AND NO EXEMPTION SHOULD BE ALLOWED FOR ANY PART OF THE VALUE OF LAND OR BUILDINGS, SPECIFICALLY THE EXEMPTION OF ONE-THIRD OF THE VALUE OF NON-FARM BUILDINGS AND THE EXEMPTION OF THE FULL VALUE OF FARM BUILDINGS SHOULD BE ELIMINATED. CERTAIN EXISTING STATUTORY AND DISCRETIONARY EXEMPTIONS SHOULD BE ALTERED AS SET OUT IN TABLE 14 OF THIS PART.

#### Recommendation 42

TAX PREFERENCES. THE AUTHORITY TO GRANT SPECIAL MUNICIPAL TAX PREFERENCES TO INDUSTRY IN ANY FORM SHOULD BE DISCONTINUED.

#### Introduction

Tax exemptions and preferences have had a place in the tax structure of Manitoba since its earliest days. However, the magnitude and extent of the various exemptions is not generally appreciated, nor is the fact that the value of exemptions is growing more rapidly than the over-all increase in the tax base. The effect of reducing the taxable resources of municipalities while the demand for their services increases is the problem to be considered. It is our view that this trend should be arrested and that much of the municipal tax base, now lost to exemptions, should be restored to a productive state. This course is consistent with our aim of providing municipalities with tax revenues from real property which are adequate for the support of the responsibilities vested in them.

In 1961 and 1962, the rate of increase in the assessed value of exemptions exceeded the rate of increase in total taxable realty assessment. This is explained in part by the fact that some exempt property, previously unassessed, is now being valued and entered on the exempt roll, and by the fact that public buildings are being built, particularly as winter works projects, at an increasing rate throughout the province.

Table 9. - Total Assessed Value of Exemptions in the Province of Manitoba  
1958 - 1962

Year	Total Taxable Realty Assessment	Increase or (Decrease)	Value of Exemptions	Increase or (Decrease)
	\$	%	\$	%
1958	1,019,855,768		227,533,320	
1959	1,019,088,548	(0.1)	233,153,560	2.5
1960	1,143,796,224	12.2	240,942,145	3.0
1961	1,214,269,779	6.2	260,681,586	8.3
1962	1,284,183,616	5.8	289,212,581	10.7

Source: Municipal Statistics, Department of Municipal Affairs 1958-1962.

Table 10. - Total Assessed Value of Exemptions in the City of Winnipeg  
1952, 1957, 1962

Year	Total Taxable Realty Assessment	Increase or (Decrease)	Value of Exemptions	Increase or (Decrease)
	\$	%	\$	%
1952	289,385,175		60,907,750	
1957	387,019,965	34	111,858,100	83
1962	484,011,960	25	151,987,990	36

Source: City of Winnipeg Annual Report, 1962. page 32.

#### Municipal Enquiry Commission

The Report of the Municipal Enquiry Commission recommended, "No property, no business and no trade or calling should be exempt from the payment of municipal taxes. This recommendation involves the repeal of all existing statutory exemptions. In any case where undue hardship would result, the council of the municipality can cancel the taxes and assume the responsibility of justifying its action."<sup>9</sup> The Municipal Enquiry Commission decided that the elimination of all exemptions would possibly reduce the over-all mill rate by one-third.

It also suggested that municipal councils should continue to have the power to cancel in whole or in part any taxes as "... the exercise of this power is a more practical and efficient way of dealing with the problems of this group than a blanket statutory exemption which would apply to some who do not require it."<sup>10</sup>

#### General Principles

A study of this phase of real property taxation in Manitoba has led to the conclusion that tax exemptions and preferences have already advanced beyond a reasonable limit and, in fact, seriously restrict the tax base of municipalities. Fortright action should be taken to strengthen the property tax base available to municipal corporations and to redistribute the burden of municipal expenditures more equitably among those benefiting from them. A number of principles support this view:

<sup>9</sup> Report of the Municipal Enquiry Commission in Manitoba. Winnipeg, Queen's Printer, 1963. p. 33.

<sup>10</sup> Ibid. pp. 35 and 36.

- (1) All properties, without regard to use or ownership, which derive a general benefit from municipal services, should contribute to the cost of such services according to the proportion that the full assessed value of each property bears to the total assessment in each municipality.
- (2) Charitable, educational and recreational organizations should be exempt from local school taxes from which they derive little if any benefit, but not from municipal levies.
- (3) Schools and churches, because of their special nature, should be taxed only for those services which provide a direct and measurable benefit to their property, that is, for local improvements.
- (4) It is not sound for municipalities to assist worthy causes, industry or other selected activities by manipulating the taxes.
- (5) The municipal tax base is so restricted that present exemptions significantly affect the fiscal capacity of local governments.

We now discuss exemptions and preferences as they relate to Provincial Crown lands, improvements to land (buildings), and statutory and discretionary exemptions.

#### Provincial Crown Lands

The Crown - in right of Canada or of any province - is exempt from municipal taxation by virtue of section 125 of the British North America Act as well as by custom. Section 125 of the British North America Act is as follows: "No Lands or Property belonging to Canada or any Province shall be liable to Taxation." Notwithstanding this exemption, the Government of Canada and several of the provinces pay full or partial grants in lieu of taxes to municipalities in which their properties are located. One of these provinces is Manitoba. However, the grants in Manitoba are limited. We deal mainly with grants in lieu of the real property tax which is the major form of municipal taxation.

#### The Case for Grants In Lieu of Real Property Taxes

The following arguments can be made for having a provincial government pay grants in lieu of municipal taxes.

Provincial property does receive municipal services and the payment of a grant in lieu of taxes discharges what may be regarded as an obligation to reimburse the municipality for these services. This is much the most important argument for payment of grants. It is true that the real property tax payment is a very imprecise measure of the value of services received by the province. However, it happens to be the measure which is used for other property owners under provincial statute and it would seem rather anomalous for the province to contend that no grants should be paid because the tax, which it has itself authorized, is an irrational tax. If the latter is the case, then the tax should be completely abolished and replaced by something better. The real property tax

admittedly bears only a rough relationship to the value of services received or to ability to pay but the same is true of all taxes in varying degree.

Not only does provincial property receive municipal services but also do provincial employees - at work, at home and in the course of daily transportation between these two places. It may be contended that services to the employee at his home need be of no concern to the employer. However, the fact is that municipal taxes on home owners are generally less than the cost of supplying services and that this deficiency is made up by a 'surplus' with respect to the property of employers. If other employers contribute to such a surplus the Province might reasonably do the same.

It has been contended by some provinces that they ought not to pay grants in lieu of municipal taxes because they pay other grants of great magnitude to their municipalities and school authorities. It is also contended that grants in lieu of taxes are meaningless because they are merely transfer payments from one government to another. These arguments overlook the fact that government property is distributed unevenly throughout a province and that some municipalities must bear a very large cost for servicing such property while other municipalities have no cost at all.

Some persons would rejoin that if the costs to municipalities are unevenly distributed so are the benefits and that the two largely cancel each other. This overlooks the fact that private industry pays taxes irrespective of whether it 'benefits' a municipality. Also, it must be questioned whether a municipality can be said to have received a financial benefit from the establishment of an industry unless in some way its revenues are increased. It could hardly be contended in this regard that a tax exempt industry increases municipal revenues through its impact on population and the need for increased taxable shelter to accommodate such added population. It is generally recognized that such additional housing creates service demands of its own which can seldom be financed by means of the tax revenues from the housing.

Secondly, the payment of grants in lieu of taxes puts government more on a par with business, which is desirable at a time when the role of government has become so enormously broadened. The concept of exemption was much easier to justify in a 19th century laissez-faire economy than today when government frequently engages in business or quasi-business activities.

Furthermore, the payment of grants in lieu of taxes on Crown property would strengthen the real property tax by removing, in effect, one of the major classes of exempt property. It is generally recognized by tax economists that exemptions from a tax are harmful because they narrow the tax base and exert upward pressure on the rate of tax to be paid by those who are not exempt. If these pressures result in the creation of additional exemptions, it is possible that the tax, over a period of years, may be greatly weakened as a source of revenue. From a somewhat broader standpoint, economists object to tax exemptions because they distort the allocation of resources within an economy. In some instances it is true that this is done deliberately by government for the purpose of stimulating a particular sector of the economy. However, there seems little reason to apply such arguments to government itself. Government is tending to grow fast enough without encouragement of this kind.



Finally, the payment of taxes should be a two-way street and the present privileges which municipalities enjoy under provincial tax laws should also be removed. At the moment, the principal municipal benefit in Manitoba would appear to be the special one dollar rate for the registration of motor vehicles. Municipalities also pay the Manitoba gasoline tax except for fuel required for fire engines. However, if a sales tax is instituted in the future, it should be made clear that no special exemptions are intended for municipal government.

#### Government of Canada Practices Relative to Grants in Lieu of Taxes

The Government of Canada has paid grants in lieu of real property taxes since 1950 and was the first government in this country to do so with respect to departmental property. Full tax equivalent has been paid with respect to most departmental property since 1957. Previous to that date payments were made only to municipalities having a concentration in excess of four per cent (1950-54) and then two per cent (1955-56) of taxable property. The following points should be noted about the federal payments.

The annual cost, with respect to departmental property only, is now approximately \$27 million. In 1961-62 out of total grants of \$24.7 million, an amount of \$1,594,064 was paid to municipalities in Manitoba. These amounts include local improvement grants.

The grant is established by applying the municipal tax rate to the 'accepted value' of federal property eligible for grant. The term 'accepted value' means, in effect, the value that would be placed on the property if it were taxable property. Discretion is vested in the Minister of Finance to determine what this value is. In practice, strenuous efforts are made to reach agreement with the municipal assessor and in most cases the municipal assessment is accepted without change.

The grant established under the procedure noted above is reduced where the Federal Government provides municipal services for itself. While deductions are made in various municipalities for education, police protection, fire protection, garbage collection and sewage disposal, the only deduction which is financially significant is the one for education. This deduction relates almost entirely to large military establishments which have their own elementary schools. Service deductions are made, in effect, by reducing the mill rate which is applied to the accepted value of the property for which full services are not received. The reduction is related to the municipal cost - expressed in terms of a mill rate - of providing these services to taxable property.

The federal property which is eligible for grant includes certain types of property which are normally exempt when owned by other persons - the principal examples of this being hospitals (for veterans and service personnel), penitentiaries, schools, fire halls, sewage disposal plants, water pumping stations and treatment plants and churches. Most of these properties are to be found at military establishments which have not been designated as 'self-contained'. Offsetting this is a list of departmental properties which are not eligible for grant. This consists of the following:

(a) Real property forming part of an undertaking in respect of the conservation, irrigation, reclamation, rehabilitation or reforestation of land; (The

principal exclusion in this category is PFRA Community Pastures, some of which are owned by the Crown in right of Canada. However, Department of Agriculture Press Releases of 21 March and 25 April 1963 stated that grants to municipalities with Community Pastures would be paid out of the proceeds of a tax levy of one cent per head of cattle per day. This proposal to pay grants on Community Pastures has run into unexpected difficulties but there has been no indication that it will not be proceeded with in one form or another.)

(b) A park, historical site, monument, museum, public library, art gallery or Indian reserve;

(c) An improvement to land or structure that is not a building designed for the shelter of people, plant or movable property; (This clause excludes such structures as aircraft runways, docks, retaining walls, roads, underground services, penitentiary walls, canal locks, communications towers, storage tanks, dams, bridges and railway trackage.)

(d) The building known as the Houses of Parliament, including the Peace Tower and the Parliamentary Library plus certain abutting land defined in the statute; (Notwithstanding this exclusion, a lump sum grant, currently amounting to \$85,000, is paid to the City of Ottawa in respect of this property under a special section- section 9- of the Municipal Grants Act.)

(e) Except when otherwise prescribed by the Minister, real property owned by Her Majesty and leased to or occupied by a person from whom, by reason of his interest in or occupation of that real property, a municipal taxing authority may collect real estate tax; and

(f) An improvement to land or structure forming part of any defence establishment that, in the opinion of the Minister, is a self-contained defence establishment. (A considerable number of defence establishments situated in rural areas and which are largely self-sufficient in the supply of municipal services have been given this designation; for such municipalities grants are restricted to the land and those buildings which are married quarters.)

Items (a), (b), (e) and (f) may include married quarter accommodation for Crown employees or members of the Forces and it is expressly provided that such 'domestic establishments' are not excluded from grants, notwithstanding these exclusions.

#### Provincial Practices Relative to Grants in Lieu of Taxes

Since 1952, Ontario has paid grants to municipalities on departmental property<sup>11</sup> equal to full tax equivalent of all levies upon real property made by a municipality except levies for school purposes and those on business assessment.

<sup>11</sup> A substantial list of properties are exempt: unpatented lands; public lands set apart as a wilderness area; provincial property used for park purposes including the buildings in the parks; hospitals; penal and reform institutions; educational institutions; museums and libraries; highways; jails; cemeteries; minerals; farms operated by institutions; experimental and demonstration farms; cooling stations; weigh-scales and inspection stations; fish hatcheries; provincial forests; and real property subject to municipal taxation under section 34 of The Assessment Act, or acquired or held for the purpose of a housing project, or any provincial property for which, in the opinion of the Minister of Municipal Affairs, municipal services are not available.

Crown property is valued by the Department of Municipal Affairs with the municipalities having the right of appeal to the Ontario Municipal Board, whose decision is final. For the year 1961-62 the Province of Ontario paid total grants to 525 municipalities of \$1.3 million, of which \$777,277 was paid to the City of Toronto and an additional \$192,252 to the other area municipalities within Metropolitan Toronto.

Alberta has paid grants in lieu of taxes on departmental property since 1962, except for a list of exempt properties which is very similar to the Ontario list. The grants are full tax equivalent, including school taxes. In 1962-63 the Legislature voted \$2 million for these grants of which \$1,379,095 was actually spent.

In British Columbia, grants in lieu of real property taxes on departmental property began in 1963. These grants are equal to 15 mills on the full assessed value of eligible Crown lands and 75 per cent of the assessed value of Crown buildings. The list of exemptions is broadly similar to that used in Ontario. Assessed values are determined by the Province and are equal to 50 per cent of the actual value of land and improvements as of 31 December of the preceding year. A special restriction provides that payments to any one municipality shall not exceed 10 per cent of the sums levied for the previous calendar year, exclusive of school, local improvement and other special purpose levies.

Manitoba has paid grants on departmental property since 1953 but, since the grants are restricted to land exclusive of buildings the amounts have been relatively small. Payments for the year 1962-63 totalled \$246,722.94. Payments are governed by sub-sections 5 and 6 of section 984 of The Municipal Act.

The one over-riding problem faced by all governments paying grants in lieu of taxes concerns the treatment of large institutions or establishments. Examples of this at the federal level include defence establishments, veterans' hospitals and penitentiaries. Examples at the provincial level include universities, hospitals, insane asylums and reform institutions. Practice with respect to these institutions varies. Ontario and Alberta follow a practice of completely excluding most institutional properties while the Federal Government and apparently British Columbia follow a practice of generally including them. In many cases either the full inclusion or the complete exclusion of a large establishment will be unsatisfactory. The outright exclusion of all institutions of a given class, for example, all hospitals, fails to take account of the fact that in many cases such property will receive municipal services of considerable value. On the other hand, the payment of full tax equivalent on such properties may result in grants which are greatly in excess of the cost to the municipality of providing services. (However, the latter is unlikely when such institutions are centrally located in major cities.) What seems to be needed, therefore, is some reasonable compromise between the extremes of paying a full grant or no grant at all. The British Columbia legislation does suggest an interesting type of compromise by putting an upper limit on the amount of grant payable to any one municipality. The British Columbia limit, as noted above, is ten per cent of the municipal tax levy for general (non-school) purposes for the preceding year.

Without the type of limitation provided by Recommendation 39 it would seem necessary to exclude educational and medical institutions completely in

order to avoid the disproportionate grants which would accrue to municipalities such as the Rural Municipality of Fort Garry or the Town of Selkirk. The grant on the University property at Fort Garry provides the most extreme case anywhere in Manitoba and if this property can be worked into a formula there should be less difficulty with other large establishments. In 1962 the total taxable assessment of real property in Fort Garry was \$22,091,630 and the composite mill rate, 78 mills. This produces an aggregate real property tax levy of \$1,723,147.14. Five per cent of this is \$86,157.00. Assessment data is not available to enable us to state exactly what full tax equivalent would be on University property as of 1962. However, assessment figures for the 1964 tax year indicate that the assessment of University property of \$12,721,740 equals 34.4 per cent of the total assessment of taxable property; 34.4 per cent of the tax levy would equal \$593,000. A grant of this size would enable the municipality to reduce sharply its tax rate but this would in turn reduce the grant. Of course, rather than reduce the tax rate by the full amount possible, the council might elect to take advantage of the windfall by providing additional services and therefore one cannot estimate closely what the resulting tax rate would be nor the amount of the grant.

It seems probable that the granting of full tax equivalent would cost the Province something like 75 to 85 per cent of \$593,000 or an amount in the range of \$450,000 to \$500,000.00. This grant is so large in relation to the value of the services received from the Rural Municipality of Fort Garry as to appear entirely unreasonable. Even a grant of \$86,157 would appear to exceed substantially the costs thrust upon Fort Garry by the University. However, the Rural Municipality, in its brief, provided evidence that the University does place some significant burden upon it, particularly in the policing of traffic. Fort Garry does supply limited municipal and school services for the direct benefit of University property or for persons living at the University. These services are likely to increase in the future. It would seem reasonable therefore for the Rural Municipality of Fort Garry to receive an annual grant equal to five per cent of its total real property tax levy by reason of the presence within its borders of such a large institution as the University of Manitoba.

A question which might be raised here is what would happen to the grant on the University if Fort Garry were ever annexed by a metropolitan City of Winnipeg? The answer here is that the full grant of \$450,000 - \$500,000 would be paid, since Greater Winnipeg is below the 5 per cent upper limit. Such a payment would not be unreasonable in view of the costs to Greater Winnipeg as a whole of furnishing services to the University complex. We must appreciate here that Metropolitan Winnipeg or even the City of Winnipeg is large enough to engulf entirely a big institution and provide it with a complete range of services, whereas a smaller municipality cannot do this.

The five per cent limit is necessarily an arbitrary one. It is suggested as realistic for the case of Manitoba without any intention of implying that it would be suitable for other jurisdictions paying grants in lieu of taxes. The percentage of five is suggested because it qualifies as a round amount, because it is large enough to permit full payments to the City of Winnipeg which provides very burdensome services to Crown property, and because it would limit grants to places such as the Rural Municipality of Fort Garry and the Town of Selkirk to reasonable amounts.



Recommendation 40 relates to a special grant for the Legislative Building. The amount of \$100,000 is rounded upward from \$86,400 which represents a tax payment of \$144 for each of 600 employees in the Legislative Building. These figures require some explanation. Data were obtained for four privately owned high quality office buildings in Winnipeg for the 1962 tax year, concerning the number of employees in the buildings, assuming full occupancy, and the real property taxes paid. From this data it was calculated that the average taxes per occupant were \$144.00. It was also ascertained, from the Director of Classification and Pay, that as of March 1963 there were 612 government employees in the Legislative Building, including 33 Sessional employees. M.L.A.s were not included and a year round average occupancy of about 600 is indicated. By coincidence, the suggested grant of \$100,000 per annum is almost exactly the same as the 1962 payment of \$102,166 in respect of land only at the Legislative Building. On the basis of the Metro assessment for the land and building, the 1962 grant would be \$377,000.00. However, the assessment of a building such as the Legislative Building is bound to be controversial and even if full grants were paid on this building it might well be on a somewhat reduced valuation. One advantage of the method of payment proposed is that it would by-pass the controversial problem of valuing a building which is highly ornate and non-functional in design.

Recommendation 38 concerning valuation of Crown property conforms exactly with federal practice and closely with the practice of the other provinces already paying grants in lieu of taxes. The procedure works well in the federal jurisdiction and avoids the considerable expense of litigation.

#### Estimated Cost of Grants in Lieu of Taxes as Recommended

We have compiled an estimate of the cost of paying grants in lieu of taxes on departmental property of the Province of Manitoba. It must be emphasized that the estimate is subject to some margin of error because assessments of exempt property are generally done with less care than assessments for taxable property. (This is not intended as a criticism of assessors. It is both proper and natural for the assessor to concentrate on revenue-producing properties.) It is also uncertain whether or not all property has been listed and whether some items have been included which would fall within the list of exclusions proposed. These uncertainties are particularly great with respect to rural municipalities. Subject to these qualifications, Table 11 illustrates the estimated cost of paying grants based on the 1962 tax year. This shows the contrast with the actual payments of \$203,879.57.

The aggregate estimates appear likely to be low for 1962, particularly, as noted in Table 11, for rural municipalities. The cost, as of 1964 or 1965, would be substantially higher as the increases of other jurisdictions paying grants in lieu of taxes indicates considerable year to year increases. On the basis of an upper limit on the grant to any one municipality of five per cent of the total real property tax levy, the aggregate cost might be most safely estimated at \$1.1 million for 1962 and \$1.25 million for 1964. A part of this expenditure might, however, be retrieved by the raising of motor vehicle license fees for municipalities to the standard level.

Table 11. - Estimated Cost of Paying Grants in Lieu of Real Property Tax on Departmental Property of the Province of Manitoba 1962

Municipality or Class of Municipality	Full Tax Equivalent	Full Tax Equivalent Subject to Upper Limit Equal to 10 Per Cent of Total Real Property Tax Levy	Full Tax Equivalent Subject to Upper Limit Equal to 5 Per Cent of Total Real Property Tax Levy
	\$	\$	\$
City of Winnipeg	612,000 <sup>1</sup>	612,000 <sup>1</sup>	612,000 <sup>1</sup>
City of Brandon	112,000	112,000	107,000
City of Portage la Prairie	75,000	75,000	47,000
Town of Selkirk	99,000	56,000	28,000
Town of Brooklands	51,000 <sup>2</sup>	28,000	14,000
Town of The Pas	21,000	21,000	20,000
Town of Tuxedo	35,000	35,000	18,000
R. M. of Fort Garry	475,000	172,000	86,000
R. M. of Assiniboia	30,000	30,000	30,000
R. M. of West St. Paul	10,000	10,000	7,000
Other Towns	45,000	45,000	45,000
Other Rural Municipalities	5,000	5,000	5,000
Villages	1,000	1,000	1,000
Totals	1,571,000	1,202,000	1,020,000

<sup>1</sup> In all cases the calculation for the City of Winnipeg assumes a restricted grant on the Legislative Building of \$100,000.00. Full tax equivalent on this property would appear to be in the range of \$300,000 to \$375,000.00.

<sup>2</sup> Represents assessment of partially completed Technical Institute.

It will be noted that the grants to seven or eight municipalities would be limited by the use of the five per cent upper limit. These municipalities are Brandon, Portage la Prairie, Selkirk, Brooklands, The Pas (possibly), Fort Garry, Tuxedo and West St. Paul.

#### Local Improvement Charges

Manitoba already recognizes local improvement charges. This conforms to the practice of the Federal Government and Ontario but differs from Alberta and British Columbia which do not include such charges in their system of grants in lieu of taxes. The element of benefit received by the property owner is particularly direct and evident in the case of local improvement charges, and there is no reason to change the present Manitoba policy of paying these charges and of doing so by commutation. However, if there is some intention to sell a particular Crown property, it would be preferable in such a case to pay the annual charges in preference to commuting them.

#### Payment by Provincial Agencies

Grants in lieu of real property taxes on both land and buildings as well as business taxes are paid by the Manitoba Telephone System, the Liquor Control Commission and the Manitoba Hydro. We have not examined these payments in detail but they appear generally satisfactory. However, Manitoba Hydro

pays fixed grants on the distribution system of the Winnipeg Electric Company which was acquired in 1952, thereby continuing a policy of that Company. These fixed payments should be replaced by grants equal to full taxes.

For the future it would be helpful to reaffirm that any agency of a commercial nature should pay grants in lieu of business tax as well as grants in lieu of real property tax.

For non-commercial agencies, grants should correspond to those paid in respect of departmental property. On the basis of the foregoing recommendations this would mean that grants in lieu of business tax would not be paid and that there would be an upper limit on the payment to any one municipality in lieu of real property taxes equal to five per cent of the total real property tax levy. Data have not been compiled on the assessed value of such property. It is not believed to be very large relative to departmental property.

#### Crown Lands Used for Grazing or Haying

The following paragraphs relate to a particular kind of provincial Crown land described as university and school lands and other Crown lands which are occupied for grazing or haying under annual lease or permit or occupied under general permit.

In addition to land and buildings owned in urban centres, the Crown in the right of the Province of Manitoba is possessed of vast holdings throughout the rural areas of Manitoba and in the sparsely populated northern areas. The extent of this acreage, covering land and water surface, is approximately 135 million. A substantial part of the Crown lands is located in the unorganized territory of the province but a large part is found in organized municipalities and local government districts. In these latter areas the chief use to which the land can be put is agricultural. Through the years these provincial lands, which include those held for university and school purposes, have paid comparatively little to municipal treasuries. The Municipal Act of the Province specifically exempts from taxation all lands owned or held in trust for the Crown. Disposition of these lands has been affected mainly in three ways: by sale to a private purchaser, usually by auction to the highest bidder; by lease for a limited period of years (the statutory limit is 21 years); and by permit, granting the right to use on an annual basis for a specific purpose such as the removal of natural hay.

Provincial policy has been to restrict the sale of barren or swamp lands and, because a considerable acreage was sold for agricultural purposes which proved to be uneconomic in use, the restriction was extended to include lands of marginal value. As a result, a temporary ban was placed on the sale of provincially owned lands in local government districts. Sale of these lands has now recommenced subject to a strict review by a provincial departmental committee known as the Land Utilization Board.

In order to bring about a more orderly and practicable disposition of Crown land in organized municipalities as well as in local government districts and at the same time to secure from these lands some tax revenue for municipal purposes the Province has recently introduced a new Crown land policy. Arable lands will continue to be considered for sale, and all grasslands, classed as hay or grazing land, will be withheld from sale to be available for disposition only

by lease or permit. The plan provides that those disposed of by lease or permit will be governed by the following conditions and categories:

- (1) A ranch-type grazing lease provides for a lease of ten years, renewable after an eight-year period, for those requiring large holdings under native grass vegetation. The land is to be used for the exclusive support of livestock on which the ranch-type of operator depends for continuance of his prime enterprise. The rental is fixed on an annually adjusted sliding scale based on the price of beef and the productivity of the leased acreage. The formula calls for a rent of 5 per cent of the value of the average seasonal gain with an additional  $2\frac{1}{2}$  per cent to be paid to municipalities, local government districts and other taxing jurisdictions for tax purposes.
- (2) The farm-type grazing lease is a five year lease with a renewable clause designed for the farmer-type of operator and the rent and taxes are to be payable on the same basis as in the ranch-type lease.
- (3) The special hay permit is a renewable annual permit which is issued to the continuous user to cut hay at a specific site from year to year. The fee is at a rate of five cents per ton of hay when beef is selling at one dollar for a hundred pounds, and there is provision for an additional payment amounting to one-half of the fee for local taxes.
- (4) An ordinary grazing permit is issued on an annual basis at a total fee of \$16.50, of which \$5.00 is reserved for local taxes.
- (5) The ordinary hay permit will be issued annually for casual hay requirements from time to time. It is not renewable and is offered by tender when more than one person has applied. Municipal taxes are collected on the same basis as in the case of the special hay permit above.

With respect to the responsibility of Crown lands located in taxing jurisdictions for the payment of taxes, the objective should be that the amount of payment be computed on the assessed value on a similar basis to that paid on privately owned lands. Crown lands require generally the same services as any other lands and enjoy the advantages of municipal expenditure on public improvements, such as roads and drainage. Although the new plan, which became effective on 1 January of this year, should result in improved revenues from these lands for municipalities and local government districts, it fails to recognize the principle that the amount of real property taxation is determined on the basis of an assessment of capital value. On lands in use, the Crown should pay as a grant in lieu of taxes an amount computed in accordance with this principle.

#### Exemption of Buildings

In Manitoba, as in most western provinces, and in contrast to those in eastern Canada, buildings are given some exemption from taxation. Section 1011 of The Municipal Act provides that buildings are to be assessed at two-thirds of their value. The same section exempts from taxation farm buildings situated on grain and stock-raising lands of 40 contiguous acres or more and on market garden lands of at least 4 contiguous acres, provided that the income



from these lands is the chief source of livelihood of the owner or occupant.

The basis for these exemptions may be found in the past, and their maintenance today is due more to tradition and inertia than conscious tax policy. The practice stems from the days of Western settlement when every inducement was given to permanent residence. It also reflects the influence of the single tax movement, which, in its municipal application, advocated the exemption of all buildings from taxation in favour of taxes based solely on the value of land. Strangely enough, the single tax movement was concerned more with the effect of site value taxation in urban areas where speculation was thought to impede orderly growth and development. Now the strongest evidence of its remaining influence is to be found in rural areas of the Prairie Provinces where the single tax was aimed at the conversion of large land reserves to individual ownership.

In contrast to the early days of the prairies when settlement was a pressing requirement, a contrary trend is underway today. Consolidations of small farms have proceeded rapidly in recent years causing a movement of population off the land. In the period 1951-1961, the number of farms declined steadily from 52,383 to 43,306. This trend is also reflected in the movement of people from rural areas. The rural population of Manitoba has decreased from 336,961 in 1951 to 322,602 in 1961. Farm population has declined even more sharply from 217,233 to 172,946 in the same period.<sup>12</sup> If in the past, inducements in the form of municipal tax concessions were necessary to encourage settlement of the land, it appears that such incentives are no longer required. In big cities the struggle is not to promote more building but rather to preserve some vacant land to give a bit of light and air or parking space.

In any event, the case for exemptions of property from municipal taxation should be examined on other grounds as well. Our reasons for recommending a change in current policy and our analysis of the effects of removing exemptions on the tax burden of farm and other buildings are based on the following propositions:

Where possible, the cost of municipal services should be apportioned equitably among all of those who benefit from the provision of such services; yet, exemptions have arbitrarily redistributed costs of municipal government in such a way that some classes of property owners now pay more than their share of the cost of local government. Others pay less. Our recommendation is intended to redress this inequity by providing that all property owners share in the cost of local services according to their proportionate share of total real property assessment in the community.

We are aware that redistribution of rateable assessment will increase the tax burden on some properties and decrease it on others, but the degree of increase or decrease will also be a measure of the present inequity in the distribution of the costs of municipal government. The properties which will suffer the greatest increases will be those that now receive the greatest advantage from an arbitrary and inequitable division of cost. By nature, the real property tax is a tax that achieves greatest equity in its incidence, and maximum productivity when it is applied at a standard rate throughout each individual taxing jurisdiction.

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<sup>12</sup> D. B. S. *Agriculture in Manitoba*, 96-537, Volume V, Part 3. 1961.

A further advantage of taxing buildings as well as land on the basis of full assessed value is that property assessments would become less complicated and consequently have more meaning for the average taxpayer than is now the case. It appears extremely important that the basis on which taxes are levied should be understood and easily related by every property owner to the market value of his property (to which all assessment should be related). Any confusion is likely to engender resistance and a certain suspicion of the tax which might very well be transferred to municipal government in general. As they now stand, assessments are several times removed from the one measure of value which has any meaning to the average taxpayer, that is, the market value of his property.

Throughout, we seek to equalize the responsibilities, and increase the fiscal resources of municipalities. One means of accomplishing this is to strengthen the property tax. Municipalities must have access to a suitable tax base which is productive enough to meet their fiscal needs. Our recommendation proposing the removal of exemptions contributes to this aim in two ways:

- (1) The taxation of farm buildings broadens the property tax base by making available taxable resources which previously were inaccessible to municipalities.
- (2) Removing the exemption of one-third the assessed value of non-farm buildings increases the available assessment base which may be taxed by municipalities.

The exempt value of non-farm buildings and the value of other buildings which cannot be taxed would be an important municipal tax resource. Their transfer to taxable assessment will fortify the fiscal position of municipalities and enable them to discharge more adequately their responsibilities from their own tax resources.

#### Analysis of the Effects of Removing Tax Exemptions on Buildings

The municipal real property tax base comprises the taxable assessed value of land and the taxable assessed value of buildings. Thus there are two components of value in any taxable property. If buildings are made taxable by removing the one-third exemption on all non-farm buildings and the total exemption on farm buildings, the share of the total assessment represented by the assessed value of buildings increases and that of land decreases. It follows, therefore, that classes of property in which the relative value of buildings is high will bear a greater share of the municipal levy. Where land represents a relatively greater proportion of the total value, a smaller share will result.

The pivotal point for determining the effect of removing exemptions is the ratio of the value of buildings to the value of land. Owners who will pay higher taxes are those for whom the ratio of building value to land is higher than the average ratio of buildings to land for all taxable properties within the taxing jurisdiction. Owners who will pay lower taxes are those for whom the ratio of improvements to land is less than the overall average.

The following conclusions emerge from our examination of the effects of removing the present one-third exemption of non-farm buildings and the full exemption of farm buildings.

In urban centres, that is, in incorporated cities, towns and villages, increased taxes for any class of property are unlikely to exceed four per cent. Vacant land will always enjoy a substantial decrease in taxes because, as it represents a small part of the total assessment, any shift of tax burden to buildings results in a relatively large percentage decrease for land. There is no consistent pattern which indicates that in urban communities residential property will always benefit and business property will always suffer or vice versa. In some of the municipalities examined, residential property gained an advantage. In others, business property benefited. In some, both residential and business property lost slightly because the whole gain went to vacant land. In no case did the disadvantage exceed a four per cent increase in taxes. Because the great proportion of property value in urban centres is in improved property, the removal of the one-third exemption has a negligible effect on the redistribution of the tax burden between residential and business property.

The taxes on vacant land in many cases may decrease by as much as 30 per cent, indicating the disproportionate share of the tax levy now being borne by this property. This should encourage open spaces in densely populated areas. It should be noted that small parcels of agricultural property that lie on the edge, but within the boundaries, of urban centres will experience much the same tax decreases as vacant land.

In municipalities situated on the fringe of the metropolitan area there will be substantial adjustments in taxes on particular and limited classes of property. Residential and commercial or industrial properties, of which there are very few, will experience increases in taxes amounting to as much as 40 per cent depending on the assessed value of farm buildings in such areas. The question of removing exemptions on farm buildings, which is dealt with below, has an important bearing on tax incidence changes in municipalities where there are mixtures of farm and non-farm property. The reason for severe changes in tax burdens in these particular municipalities is the distinctly higher ratio of building value to land value of urban property as opposed to agricultural property. Although changing rapidly, the value of land associated with urban buildings in these localities is extremely low. The assessed value of buildings is often as much as 10 to 15 times more than the assessed value of the related land, whereas in highly urbanized areas, the ratio is closer to three times. Moreover, because improved non-farm property represents so little of the total assessment in these 'fringe' areas, any shift of taxes to this type of property creates a high percentage increase in taxation. There are two factors causing the unusually high building-to-land ratio. Firstly, these municipalities are close enough to the metropolitan area to attract people who are willing to invest relatively large amounts in a home or a factory on inexpensive land. Secondly, land assessments tend to be low simply because the assessor cannot keep pace with land values that are rising rapidly on account of changes in land use and development. However, even with frequent reassessments, there are likely to be large tax increases on non-farm property because it accounts for such a small proportion of the total assessment.

To sum up, both residential and business property in the fringe municipalities are likely to have increased taxes because of the removal of exemptions. Agricultural property and vacant land will experience very slight tax decreases.

Finally, your Commission examined the likely effects in rural municipalities away from the influence of a metropolitan area. In such jurisdictions, the properties involved are of two general types: farm or agricultural property, and non-farm property in hamlets and unincorporated villages which are taxable by the rural municipality. Because of the complete exemption of farm buildings from property taxation, they have rarely been assessed. Hence, there is very little information as to the actual value of farm buildings and no firm basis for determining the incidence changes due to the removal of exemptions. The Dominion Bureau of Statistics at one time published data relating to the value of farm property including its buildings, but they have discontinued this practice. Their findings in the early nineteen-forties was that on the average the value of farm buildings represented 30 per cent of the total value of the farm. On the other hand, it is widely held that farm buildings are of negligible value relative to the land on which they are built. While the Dominion Bureau of Statistics' estimate may have been accurate at that time, there is no doubt that it would be high today. One reason is that the widespread consolidation of farms in the province has resulted in an over-supply of farm buildings. It is even conceivable that some unoccupied buildings would have a negative value insofar as they occupy land which could be used for agriculture. Because it had no other basis, your Commission proceeded to examine tax incidence changes between the two classes of property in rural municipalities using the high figure of 30 per cent for farm buildings. An interesting fact emerged. The removal of the one-third exemption on non-farm buildings and the full exemption of farm buildings would benefit farm property owners up to the approximate point where the value of farm buildings is equal to 30 per cent of farm property. Below this point the benefit to farm owners is greater.

By way of illustrating the studies which were made of this issue and illuminating the foregoing discussion, we provide in Table 12 concrete examples of tax changes resulting from the removal of the partial and full exemptions on non-farm and farm buildings respectively. Presented in the Table are selected municipalities that are in each case typical of all the municipalities of each type included in the study. It is clearly shown that tax changes between the classes of residential and business property in urban centres are slight, and are variable as between municipalities, that is, a class may experience a tax decrease in one municipality and an increase in another. Vacant land, where it is shown separately in the city example, enjoys a 30 per cent tax decrease. It must be remembered in examining the results for the two types of rural municipalities that the study was based on the high estimated value for farm buildings. Even at that, farm property enjoys a reduction of tax, albeit slight.

Discussion of tax changes on property in various areas of the province assuming that present exemptions on the whole or part of buildings are eliminated, has to this point dealt with the effects in total for classes of property. These classes, of course, are the sum of individual properties which may or may not experience changes in tax incidence similar to those for the whole class. For example, residential property as a class, in a given municipality, may experience an increase in taxes of one per cent, in which event business, that is, commercial and industrial property, may enjoy a decrease in taxation, the percentage depending on the relative proportion of its assessment to the total assessment of the municipality. This is not to say that every residential property will



Table 12. - Tax Changes for Classes of Property Assuming Removal of One-Third Exemption on Non-Farm Buildings and Removal of Exemption on Farm Buildings for Selected Typical Municipalities Based on 1963 Assessments

Municipality	Share of Assess- ment and Tax Levy with Exemptions	Share of Assess- ment and Tax Levy without Exemptions	Percentage Increase or (Decrease) in Share of Levy	Increase or (Decrease) in Taxes after Re- moval of Exemptions
	%	%	%	%
<u>City</u>				
Residential (land and improvements)	57.88	57.61	(.27)	(.46)
Business (land and improvements)	41.46	41.93	.47	1.13
Vacant Land (residential, commercial and industrial)	.66	.46	(.20)	(30.30)
All Taxable Real Property	100.00	100.00		
<u>Town</u>				
Residential (land and improvements) <sup>1</sup>	61.53	62.23	.70	1.13
Business (land and improvements) <sup>1</sup>	38.47	37.77	(.70)	(1.81)
All Taxable Real Property	100.00	100.00		
<u>Village</u>				
Residential (land and improvements) <sup>1</sup>	60.39	60.08	(.31)	(.51)
Business (land and improvements) <sup>1</sup>	39.61	39.92	.31	.78
All Taxable Real Property	100.00	100.00		
<u>Rural Municipality on Fringe of Metro Area</u>				
Residential (land and improvements) <sup>1</sup>	4.78	5.41	.63	13.17
Business (land and improvements) <sup>1</sup>	6.87	6.75	(.12)	(1.74)
Agricultural (land and improvements)	88.35	87.84	(.51)	(.57)
All Taxable Real Property	100.00	100.00		
<u>Rural Municipality</u>				
Non-farm (land and improvements) <sup>1</sup>	21.73	22.42	.69	3.17
Agricultural (land and improvements)	78.27	77.58	(.69)	(.88)
All Taxable Real Property	100.00	100.00		

<sup>1</sup> Vacant land included.

sustain a one per cent increase in taxation. Many will have decreases, others increases, and still others may remain the same. Conversely, if residential properties as a whole enjoyed the benefit of reduced taxes, there would be some properties with increases, although the average effect would be a decrease. The principle stated at the outset of this section applies: the pivotal or break-even point for an individual property is the average ratio of building to land value in the taxing jurisdiction. If the property has a ratio in excess of this average, tax increases will result and vice versa.

### Conclusions

In dealing with this complex matter, a recapitulation of our findings is desirable for the sake of clarity. The elimination of exemptions is desirable on the grounds that it would redress the inequities in municipal property taxation created by highly arbitrary exemption clauses. Any arguments that may have existed for the remaining exemption of buildings, such as agrarian development, have long since lost their validity. All properties should bear their proportionate share of the total tax levy. That share should be in the same proportion as the value of properties is to the total value of property in the municipality. This equitable distribution of the municipal tax levy can only be achieved by the removal of present exemptions. When this is done, changes in tax liability for classes of improved property will be slight in cities, towns and villages, but vacant land will enjoy substantial benefits. This would be fair because owners of vacant land are now required to pay higher taxes than is justifiable for property that requires a lower level of municipal services than is necessary for developed property. In areas where urban and farm properties are mixed, there will be tax changes to the advantage of farm property as opposed to non-farm property to the point where the assessed value of farm buildings exceeds 30 per cent of the assessed value of the entire farm property.

To secure the desired results, effect ought to be given to the removal of the one-third exemption on non-farm and full exemption on farm buildings simultaneously as set out in Recommendation 35 in the preceding part.

### Statutory and Discretionary Exemptions

Aside from the mandatory exemption of Crown properties and the full or partial exemption of buildings, various other classes of land uses and owners may be granted exemptions from municipal taxation. Authority for granting these concessions is contained in section 984, and sections 445-450 of The Municipal Act and in the charters of cities. Real property may be exempted from general municipal levies, school taxes, and local improvement taxes. Table 13 summarizes the type of exemption for which various classes of property qualify. Some exemptions are mandatory, as provided by statute. Others, which may be granted at the option of individual municipal councils, are classed as discretionary. In some cases, buildings and contiguous lands qualify for exemption. These are noted in a footnote to the table.

Table 13. - Present Real Property Tax Exemptions

	Municipal Taxes	School Taxes	Local Improvement Taxes
<u>Statutory:</u>			
Crown:			
Federal <sup>1</sup>	x	x	x
Provincial <sup>2</sup>	x	x	x
Indian lands	x	x	x
Municipal property	x	x	o
Schools <sup>3</sup>	x	x	o
- Teachers' residences	x	x	o
University of Manitoba educational institutions <sup>4</sup>	x	x	o
Homes for the aged <sup>5</sup>	x	o	o
Hospitals <sup>6</sup>	x	x	o
Incorporated agricultural societies	x	o	o
Churches <sup>7</sup>	x	x	o
Public cemeteries <sup>8</sup>	x	o	o
Private cemeteries	o	o	o
<u>Discretionary:</u>			
Colleges, seminaries of learning <sup>9</sup>	x	o	o
Religious, educational, charitable, recreational buildings and lands <sup>10</sup>	x	o	o
Veterans associations <sup>11</sup>	x	o	o
Industry	x	o	o
Indian missions <sup>12</sup>	x	o	o
Y.M.C.A., Y.W.C.A.	x	o	o
Charitable institutions <sup>13</sup>	x	o	o

Symbols:    x-exempt    o-liable

<sup>1</sup> Full grants paid in lieu of municipal taxes.

<sup>2</sup> Partial grants paid in lieu of municipal taxes.

<sup>3</sup> Includes public, private and parochial schools. Contiguous lands of 4 acres or, with the approval of the Minister of Education, 10 acres are exempt together with the residence of a teacher if it is owned by and situated within the school district.

<sup>4</sup> Includes: Brandon College, Manitoba Law School, St. Boniface College, United College, St. John's College, St. Paul's College.

<sup>5</sup> Includes land of up to four contiguous acres.

<sup>6</sup> Includes land of up to four contiguous acres.

<sup>7</sup> Lands of Churches or Sunday Schools are exempt up to a maximum of two acres.

<sup>8</sup> Up to a maximum of twenty acres.

<sup>9</sup> Lands of up to four acres are exempt.

<sup>10</sup> Lands of up to two acres are exempt.

<sup>11</sup> Lands of up to two acres are exempt.

<sup>12</sup> Lands of up to two acres are exempt if used for missionary purposes or other charitable or educational work.

<sup>13</sup> Lands of up to two acres are exempt.

In addition to these exemptions, certain classes of property qualify for special treatment under The Municipal Act for purposes of assessment and taxation. Mines and minerals are exempt from municipal taxation and certain limitations are placed on the assessment of railway property and pipelines. Municipalities also may grant 'exemption equivalents'. Under section 1188 of The Municipal Act, municipalities may, by by-law with the approval of the Minister, cancel in whole or in part any taxes, debt or monies owing to them. Municipalities may also make grants for a great variety of purposes. We see no reason for suggesting changes in these provisions.

Recommended changes in the provisions governing exemptions and preferences are summarized in Table 14 and commented on below. Certain of the alterations, because of their special nature, are dealt with separately.

Table 14. - Proposed Real Property Tax Exemptions

	Municipal Taxes	School Taxes	Local Improvement Taxes
<u>Statutory:</u>			
Crown:			
Federal <sup>1</sup>	x	x	x
Provincial <sup>14</sup>	x	x	x
Indian lands	x	x	x
Municipal property <sup>15</sup>	x	x	x
Schools <sup>3</sup>	x	x	o
-Teachers' residences	o	o	o
University of Manitoba educational institutions <sup>4</sup> and <sup>14</sup>	x	x	o
Homes for the aged <sup>5</sup>	o	x	o
Hospitals <sup>6</sup>	o	x	o
Incorporated agricultural societies	o	x	o
Churches <sup>7</sup>	x	x	o
Public cemeteries <sup>8</sup>	x	x	o
Private cemeteries	o	o	o
<u>Discretionary:</u>			
Colleges, seminaries of learning <sup>9</sup>	o	x	o
Religious, educational, charitable, recreational buildings and lands <sup>10</sup>	o	x	o
Veterans' associations <sup>11</sup>	o	x	o
Industry	o	o	o
Indian missions <sup>12</sup>	o	x	o
Y.M.C.A., Y.W.C.A.	o	x	o
Charitable institutions <sup>13</sup>	o	x	o

Symbols: x-exempt o-liaable

Footnotes 1-13 see Table 13.

<sup>14</sup> Full grants should be paid in lieu of municipal taxes subject to a five per cent limitation set out in the Recommendations.

<sup>15</sup> Full municipal and school taxes should be paid in respect to property owned by one municipality but which is located in another.



A comparison of Tables 13 and 14 shows that in addition to a general reduction of exemptions, it is proposed that there be a distinct shift in liability for taxation. At present, exemptions are granted in respect to taxes for general municipal purposes. School levies and local improvement taxes generally may not be forgiven.

There are no sound reasons to support the exemption of property owners from the payment of general municipal taxes. All properties benefit from municipal works and the provision of municipal services. It follows that all properties, without regard to ownership or use, should pay their share of the resulting cost. This is especially true for works constructed as local improvements. Benefits of a direct and usually immediate nature are derived from local improvements in terms of both services and increases in the value of property.

On the other hand, most of the properties which may now be exempted from general municipal taxes are required to pay school rates. In many instances these properties are themselves of a service to the community and as such do not depend on the benefits of an educational system in the same way as do other classes of property. Therefore, we recommend that in these cases liability for school rates be eliminated.

There are two exceptions to this rule governing liability for local taxes. As indicated in the Tables, we have recommended that there be no change in the treatment of public, private and parochial schools meeting the requirements of the School Attendance Act, or of churches. While exempting schools, and places of worship and religious instruction from payment of municipal and school rates is somewhat inconsistent with our theme, we are of the belief that other considerations predominate.

There are several special classes of property which now enjoy partial or complete exemption which deserve special comment.

#### Exemption of Industry

We recommend that the authority to grant any kind of special municipal preferences to industry be discontinued. At present, industry may be exempted in whole or in part from municipal taxes but not from local improvement taxes or school rates. These exemptions may be granted for a maximum period of ten years if at least three fifths of the ratepayers, voting on the measure, approve. As indicated, we have recommended that authority to grant such exemptions be rescinded. Furthermore, we disapprove of special legislation which permits the granting of fixed assessments to a particular industry.

The practice of allowing municipalities to grant concessions to industry is gradually dying out. Enabling legislation for this purpose was repealed in Alberta in 1957, in British Columbia in 1958 and in Ontario in 1961. Only five provinces now allow municipalities to offer concessions: Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, and Manitoba.

Fixed assessments of industry and exemptions from property taxes are undesirable for many reasons. In terms of individual municipalities, the net effect of preferences is an erosion of the property tax base. This not only throws a heavier tax burden on other classes of ratepayers but may also affect the very economic advantages which are said to accrue to a community from the presence of industry.

Many municipal services used by industry are similar to utilities provided privately or by government. Industry expects and receives no special concessions in purchasing these services. Yet concessions may be obtained which reduce the cost to industry of such municipal services as water, waste removal and protection of persons and property.

In addition, exemptions and concessions often cause serious distortions in regional economic activity. The introduction of artificial factors into the cost of production can result in only short-term advantages.

Probably of greater importance to industry than the level of municipal taxation is its consistency and stability. Tax preferences, by definition, give no assurance of such treatment since they are themselves a form of discriminatory treatment. A promise of tax policy which is consistent with that accorded to all other taxpayers in the community is the greatest assurance that industry can receive.

#### Exemption of Personal Property

The Municipal Act provides for the exemption of various types of personal property from municipal taxation. Since we recommend that the personal property tax be eliminated, no further consideration need be given to these exemptions.

PART E - BUSINESS TAX

## Recommendation 43

MUNICIPAL TAX ON BUSINESS. THE BUSINESS TAX SHOULD BE RETAINED AS A SOURCE OF MUNICIPAL REVENUE JUSTIFIED BY THE PREFERENCE IT CREATES IN FAVOUR OF THOSE WHO PAY TAXES ON RESIDENTIAL AND NON-BUSINESS PROPERTY OVER THOSE WHO PAY TAXES ON BUSINESS PROPERTY.

## Recommendation 44

METHOD OF ASSESSMENT AND LEVY. THE BUSINESS ASSESSMENT ON WHICH THE BUSINESS TAX IS LEVIED SHOULD BE A PERCENTAGE OF THE ASSESSED VALUE OF THE BUSINESS PREMISES THEMSELVES, AS ASSESSED FOR TAXATION AS REAL PROPERTY, RATHER THAN THE ANNUAL RENTAL VALUE OF THE BUSINESS PREMISES AS AT PRESENT. UPON THIS PERCENTAGE, WHICH WOULD BE DEEMED TO BE RATEABLE PROPERTY, THE MUNICIPALITY WOULD LEVY ANNUALLY, AT THE MILL RATE APPLICABLE TO OTHER RATEABLE REAL PROPERTY, A TAX OR SURTAX WHICH WOULD BE KNOWN AS THE BUSINESS TAX AND WOULD BE DEEMED IN LAW TO STAND IN THE PLACE OF THE PRESENT BUSINESS TAX IN THE INTERPRETATION OF EXISTING LEASES BETWEEN OWNERS AND TENANTS OF BUSINESS PROPERTY OR OF OTHER EXISTING CONTRACTUAL PROVISIONS WITH RESPECT TO THE PAYMENT OF BUSINESS TAXES.

## Recommendation 45

UNIFORMITY. THE BUSINESS ASSESSMENT AND CONSEQUENTLY THE RATE OF BUSINESS TAX SHOULD BE UNIFORM FOR ALL KINDS OF TAXABLE BUSINESS WITHIN EACH MUNICIPALITY.

## Recommendation 46

COMPULSORY NATURE. ALL MUNICIPALITIES SHOULD BE REQUIRED TO LEVY THE BUSINESS TAX.

## Recommendation 47

LEVEL OF SURTAX. THE BUSINESS ASSESSMENT SHOULD BE ESTABLISHED BY STATUTE AT NOT MORE THAN 45 PER CENT NOR LESS THAN 30 PER CENT OF THE REAL PROPERTY ASSESSMENT OF BUSINESS PREMISES. TO GIVE EFFECT TO THE RECOMMENDATION OF THE METROPOLITAN CORPORATION OF GREATER WINNIPEG REVIEW COMMISSION, THE BUSINESS ASSESSMENT MUST BE UNIFORM IN ALL THE AREA MUNICIPALITIES WITHIN OR PARTLY WITHIN THE METROPOLITAN BOUNDARIES, AND WE SO RECOMMEND. ALL OTHER MUNICIPALITIES THROUGHOUT THE PROVINCE SHOULD BE FREE TO ESTABLISH BUSINESS ASSESSMENT AT ANY PERCENTAGE FROM 45 TO 30 INCLUSIVE OF THE REAL PROPERTY ASSESSMENT OF BUSINESS PREMISES AS THEY SEE FIT.

LIABILITY. AS AT PRESENT THE PROPOSED BUSINESS TAX SHOULD BE PAID BY PERSONS CARRYING ON BUSINESS AND SHOULD NOT BE A CHARGE UPON THE LAND OR BUILDINGS SO OCCUPIED.

### Rates and Yields

In Manitoba, the business tax levied on real property and the tax on the personal property of a business, which is an alternative to the business tax, are important sources of municipal tax revenues. Table 15 shows, for each class of municipality and for all municipalities, the total taxes levied, the business tax levied, the personal property tax levied, and the percentage which business and personal property taxes were of the total tax levy for the year 1962.

Table 15. - Estimated Business and Personal Property Tax Levies as a Proportion of Total Tax Imposition by Class of Municipality 1962

Class of Municipality	Total Tax Imposition	Estimated Business Tax	Estimated Personal Property Tax	Estimated Business plus Personal Property Taxes as a Per Cent of Total Tax Imposition
	\$	\$	\$	%
Rural Municipalities	18,314,833	190,277	306,623	2.71
Villages	1,300,890	91,395	2,676	7.23
Towns	6,498,188	398,589	84,535	7.43
Suburbans	4,340,714	118,332	102,381	5.08
Cities (excluding Winnipeg)	18,509,358	966,367	207,543	6.34
Winnipeg	30,381,242	4,238,033	Nil	13.95
Total	79,345,225	6,002,993	703,758	8.45

The authority to levy the business tax or, as an alternative, the personal property tax, is contained in Subdivision V of Part XII of The Municipal Act. Upon passage of the requisite by-law the municipality may assess and tax persons carrying on business in the municipality. The passage of such a by-law excludes the municipality from any further taxation of personal property generally, as provided for in other provisions of the Act. Those who may be taxed are traders and manufacturers, financial and commercial institutions, warehousemen and persons operating storage houses, persons or corporations carrying on or operating a railway, telegraph, express or railway trucking business, and all persons engaged in any occupation, art, profession or means of profit or livelihood.

The rate of tax is not to exceed 15 per cent of the annual rental value of the business property, nor 12 per cent in the case of war veterans' associations holding a club licence or hotels registered under The Government Liquor



Control Act. A municipality is not permitted to impose a business tax on oil, natural gas or salt production equipment, a gas transmission line, or the personal property described in a by-law passed relating to business tax, but the property shall be assessed and taxed as personal property. However, a business tax may be imposed on the buildings, plant, warehouse or storage yard used in connection with such operations as well as the personal property stored in such building, plant, warehouse or yard. In lieu of the business tax a fee or tax not exceeding \$50 in respect of each business may be collected.

The business assessment upon which the business tax is levied is the annual rental value as determined by the assessor of each property where a business, with respect to which a tax may be levied, is carried on, and this rental value may be fixed in any reasonable manner but should bear a fair and just relation to the amounts at which other business premises in the municipality are assessed. The occupant of the premises is liable to pay the tax as is the owner if he is also the occupant, but nothing in the Act makes the business tax a charge upon the land or buildings so occupied, (s. 1067).

Under these provisions, the City of Brandon, for instance, levies a flat rate business tax of 8 1/2 per cent and the Town of Dauphin, 10 per cent. The City of Winnipeg has similar powers under section 292 of its Charter which includes the power to levy the business tax on different classes of business at graduated rates from 6 per cent to 20 per cent of the business assessment.

Section 297 of the Winnipeg Charter sets out the different classifications of business which are subject to varying rates of tax. For example, the rate applicable to wholesalers and manufacturers, Class H, is 10 per cent. Financial businesses pay higher rates. The rate on retail merchants ranges from 6 per cent to 14 1/2 per cent; the rates on trades and services range from 6 per cent to 10 per cent; and on the professions, from 7 1/2 per cent to 10 per cent.

The average Winnipeg rate of business tax in 1957, when H. Carl Goldenberg submitted his report to the City, was 11.22 per cent. This compared with the uniform rate of 8 per cent in Calgary, 7 per cent in Vancouver, 11 per cent plus a surtax of 8 per cent in Montreal and 18 per cent in Quebec City.

### Burden of Business Tax

The Canadian Tax Foundation has compared the weight of local taxation on business in thirteen Canadian cities. An exact comparison was not possible. However, the comparison did show that in most Canadian urban centres the owners and occupiers of business properties are taxed more heavily than the owners and occupiers of other types of real property. This taxation takes the form of the usual real property tax plus an additional business tax on the occupiers of real property used for business purposes and, in some municipalities, a tax on the personal property of business and a miscellaneous assortment of minor taxes and licenses or fees. A comparison of the excess burden of taxation on business in 13 selected cities in 1959 is made in Table 16.

Table 16.- The Excess Burden of Taxation on Business in Thirteen  
Selected Cities 1959

City	Proportion of Business Real Property Assess- ment to Total Real Pro- perty Assessment	Proportion of All Property Taxes and Licences paid by Business <sup>1</sup>	Excess Burden on Business
	%	%	%
Brandon	28.5	33.0	4.5
Sherbrooke	28.0	33.5	5.5
Regina	32.0	40.0 <sup>2</sup>	8.0
Winnipeg	48.0	56.0	8.0
Edmonton	37.5 <sup>3</sup>	46.0	8.5
Calgary	36.0	44.5	8.5
Kitchener	33.5	42.0	8.5
Toronto	54.0	63.0	9.0
Brantford	34.0	44.0	10.0
Victoria	45.0	58.0 <sup>4</sup>	13.0
Vancouver	45.0 <sup>5</sup>	59.0 <sup>4</sup>	14.0
Saint John	37.0	58.0	21.0
Halifax	30.5	58.0	27.5

<sup>1</sup>Omitting special assessments for local improvements.

<sup>2</sup>On the low side due to insufficient statistical data.

<sup>3</sup>Estimate only. Business improvements are taxed on 60% of assessed value, residential on 50%.

<sup>4</sup>Does not take into account the Provincial Home Owner Grant of \$50.

<sup>5</sup>Based on the value of 'improvements' assessed at full value and omitting the value of fixtures and fittings.

Source: Canadian Tax Foundation, "Tax Memo", No. 14, October, 1960.

The study then went on to estimate the actual dollar amount of taxes paid in each city on every \$10,000 of business property valued at local current market prices. This was done by equalizing real property taxation on industrial and commercial property in fourteen selected cities based on the 1959 mill rates and local market values and calculating the supplementary business taxes and the total of personal property tax and miscellaneous fees. The results are shown in Table 17.

There are too many anomalies and inconsistencies for these comparisons to be precise. In the absence of other guides to the relative burden of business taxes in Manitoba cities as compared to other Canadian cities, one may surmise that as against eastern cities the municipal business tax would not deter business from locating in Manitoba. The burden in the cities of Calgary, Edmonton and Regina is almost exactly the same as Winnipeg while the burden in Brandon is considerably lower.

At any rate, municipal taxation of business should be moderate as an encouragement to the growth, particularly of secondary manufacturing in the province, in line with the findings of the COMEF Report.

Table 17. - Estimated Taxes Paid on every \$10,000 of Business Property Valued at Local Current Market Prices for Selected Cities 1959

City	Estimated Taxes per \$10,000 of Business Property
	\$
Brandon	252
Sherbrooke	231 <sup>1</sup>
Regina	307
Winnipeg	356
Edmonton	236
Calgary	288
Kitchener	307
Toronto	401
Brantford	374
Victoria	326
Vancouver	379
Saint John	683 <sup>2</sup>
Halifax	606
Montreal	415 + 27 <sup>3</sup>

<sup>1</sup>Does not include taxes on machinery nor sales taxes on hydro and telephone bills.

<sup>2</sup>Motor vehicle tax is not included.

<sup>3</sup>The flat rate licence of \$27 is shown separately as this is charged regardless of property value. Total does not include telephone tax or sales taxes on hydro and telephone bills.

#### The Pros and Cons of a Business Tax

The Municipal Enquiry Commission in Manitoba recommended, "A uniform municipal business tax statute should be enacted setting varying rates applicable to different types of business. It should include every person carrying on, or engaged in, any business, trade, manufactory, occupation, art, profession, means of profit or livelihood, or the providing of services." <sup>13</sup>

Commenting on this recommendation the Report suggests, "The basis of assessment should be the annual rental value of the premises which is occupied or used, in any way, for the purposes of the business, excepting only premises used solely for residential purposes." <sup>14</sup>

Several submissions were made to us about the business tax. The Downtown Business Association of Winnipeg stated in its brief:

"We strongly object to any classified and/or graduated business tax based on annual rental values on account of the discrimination and inequities that result from its

<sup>13</sup> Report of the Municipal Enquiry Commission in Manitoba. Winnipeg, Queen's Printer, 1963. p. 36.

<sup>14</sup> Ibid. p. 36.

use, and feel that any such tax enforced at the present time should be abolished - including the one in Winnipeg.

"If there has to be a business tax... we would recommend employing one where the tax is determined by applying a fixed percentage - the same percentage uniformly throughout the municipality - to the rental value of premises occupied for business or industrial purposes." <sup>15</sup>

The Canadian Life Insurance Officers Association, representing most life insurance companies doing business in Manitoba, agreed with the foregoing submission, and added:

"It is said that the present classification bears some relation to 'ability to pay'. This is demonstrably wrong and in fact no classification by type of business could achieve this end. The present system of classification and graduation is arbitrary and discriminatory.

"If a business tax is deemed to be necessary the life insurance companies do not protest a business tax based on the rental value of premises occupied provided it is a fixed percentage applied uniformly to all business and industry." <sup>16</sup>

The Winnipeg Chamber of Commerce was of the same view, but the Union of Manitoba Municipalities and Manitoba Urban Association, in its brief, approved a business tax set on a varying rate and applicable for all types of business. Several briefs recognized that, if the business tax was intended to be a tax on profits, the income tax was the proper way to apply it.

Among the arguments in favour of municipal business tax are the following:

(1) Municipalities like it. It has worked well, is efficient, once established is easy to administer, produces good and stable revenues and is capable of producing more.

(2) Business has no serious complaint against the tax except as to its form.

(3) The Manitoba business tax is relatively light and does not deter business.

(4) It is a deductible expense for income tax purposes, and is therefore partly paid by the senior governments in loss of income tax. The private home owner has no such privilege.

This contention is not entirely true. Business cannot claim any deduction if it has no profits to set them against but a home owner can claim taxes as a deduction only if he is leasing his house. In addition, a farmer may claim deduction of taxes on the farm on which he resides, mortgage interest, insurance, telephone and hydro charges as well as one-quarter of depreciation and repairs with respect to his residence.

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<sup>15</sup> Submission of the Downtown Business Association of Winnipeg. p. 25.

<sup>16</sup> Submission of the Canadian Life Insurance Officers' Association. p. 1.



Despite these exceptions it is generally true that business can deduct its real property and business taxes in arriving at 'taxable income' and the home owner cannot. It does not necessarily follow, however, that the home owner is at a disadvantage here. It may be technically true that the home owner does not receive any cash income from a house which he occupies, but he does receive what may be called 'income in kind'. The latter is included in the gross national product by the Dominion Bureau of Statistics as 'imputed income' and the 1962 accounts include an amount of no less than \$1,023 million for this item, (imputed net residential rent and imputed residential capital consumption allowances).

It may therefore be argued, contrary to representations which we had in favour of such deductions from taxable income, that it would be unreasonable to allow taxes, mortgage interest, etc., as an expense of the home owner unless his real income from ownership were brought in on the income side. The combined effect of these changes would generally be unfavourable to the home owner.

(5) Some people argue that higher taxation of business is justified on the grounds that business property benefits more from municipal services than other property. This argument is based on the obvious fact that a successful business depends upon the supply of labour, materials, services and customers, and that these would not exist without the concentration of vital services provided by local government. This argument also takes account of the indirect benefits to business provided by such local services as education.

It is difficult to know what validity this viewpoint has since it appears to apply also to individuals who, with certain exceptions, could not find suitable employment or properly raise a family without these same local services. The argument seems to be flatly contradicted by the frantic scramble which municipalities enter to attract industry within their borders and by the frank reluctance of many municipalities to receive additional housing developments. This contradiction is a well-known fact of life in Canada and is explained by the further fact that it is generally far more expensive for a municipality to service housing than it is to service industry. One would logically expect that the benefit of municipal services to housing would be greater than the benefit to industry if the costs of providing services are relatively greater for housing.

This apparent contradiction is, however, an oversimplification. The benefits of municipal services to home owners tend to be much more direct than the benefits to industry. Thus, a home owner's benefit from schooling generally comes from a school situated within walking (or school bus) distance for his children and hence within the same municipality. Industry's benefits from schooling derive mainly from educational services previously supplied to their employees by schools situated in the various parts of Canada in which these employees lived during the years they were being educated. In other words, a relatively high proportion of local government benefits to the home owner tend to come from within the municipality in which he lives but the opposite is true for industry.

One should note too that educational costs are gradually being shifted from the municipalities to the Province. This process will continue and if our recommendations are accepted there will be a very substantial shift, leaving muni-

palities more concerned with the sort of service which is essential to business, and particularly to business in large centres of population where most of the business tax is paid. The tendency of business to build upward adds greatly to the density of population and necessitates new and costly municipal services for transportation, fire control, streets, sidewalks, policing, etc. Any difference in benefits conferred on residential properties as against business properties from local services can probably never be measured and it is suggested that the tendency to overtax business properties is because of the desire of municipal councils to confer a preference on residential properties.

(6) The business tax eases the direct tax burden on the occupants of residential property who do not realize that at least some part of the business tax is passed on to them indirectly in the price of goods and services which they buy. The popularity of the business tax with municipal councils may be due in part to the fact that residential taxpayers are the majority of municipal electors and that corporations which pay much of the business tax have no vote.

(7) It is widely believed that business has more 'ability to pay' real property tax than the home owner. Business makes a profit from the use of its premises, or at least tries to, and the home owner gets nothing from his residence except shelter and satisfaction. This belief is reinforced by the view that business can shift its tax to others but that the home owner cannot. There are those who prefer an indirect type of taxation on the grounds that it is less painful than the direct payment of taxes in instalments or in a lump sum and on the grounds that direct taxation has reached a relatively high level in Canada. For others this is an argument against the business tax. We share this view and deal with it more fully in the arguments against the business tax.

The following points may be urged against the business tax:

(1) The tax is really not paid by business because it is shifted to others in an unsystematic and inequitable way, and therefore, it would be better to replace the business tax with a retail sales or a consumption tax designed to tax those others more equitably.

Therefore, we consider next the alleged shift of the tax and its consequences, economic and social. The probable reaction of business to an increase in its operating costs, such as a business tax in addition to its real property tax, would be an attempt to shift the increased cost forward to its customers by raising the price of goods or services it sells. If all businesses in a given market are affected by a tax increase, it is quite possible that they will all raise their prices and in this way they will be able to shift some part of their common tax burden to their customers. If persons in the low income group spend a higher proportion of their income on the goods and services concerned than persons in the upper income groups, the shifting of the tax will be unfavourable to the low income group. It is a fair statement that a general increase in a tax on business which results in a rise in prices of the goods which they sell is similar in its effects on consumers to a general sales tax which has no exemptions for necessities. Such taxes are roundly condemned by our society as being regressive and their imitation is not recommended.

In many cases a business faced by a tax increase will not be willing to risk the consequences of raising its prices at all. This is likely to be the case

if the competitors are not affected by the tax increase. An example of this would be the case of a business which exports its products to other markets or competes with imports from firms situated in other markets not affected by the tax increase.

To the extent that a business is unable to shift a tax increase to consumers it may be able to shift it backwards to its employees by increasing its resistance to wage and salary increases. This form of shifting is also likely to bear heavily on the lower income groups. Another possibility is that the business may be able to secure lower prices from its suppliers or landlords and thereby shift a part of the tax on to other businesses.

A further possibility is that the tax cannot be shifted and that its impact on an incorporated business will be shouldered by the shareholders of the business. If these persons are in the upper income groups, which presumably will tend to be the case, the shifting in this instance will result in heavier taxation of the upper income group. The lower income group may still suffer, however, if the result of the declining profit margins is that some businesses are closed down and persons thrown out of work. In this particular case where the profits of the business have been reduced, two other parties normally enter the picture - namely, the federal and provincial governments, which share heavily in business profits through their respective income taxes. These senior governments may suffer a loss of revenue as a result of the reduced earnings of the business and part of the property tax will have been shifted to the citizens of Canada and of the province. These citizens must ultimately make up the deficiency in the form of higher federal and provincial taxes or perhaps through a decline in the purchasing power of their currency.

In conclusion, the ultimate incidence of a business tax can be shared widely among different groups in the community. In the final analysis the tax is not borne by the business itself but by individuals as consumers, wage earners, recipients of rent, interest or dividends or as taxpayers to the various levels of government. There is no assurance that the persons who ultimately bear the tax will have more ability to pay than the persons whose taxes have been reduced as a result of the establishment of a business tax. We have been advised that the business firms which now bear the highest municipal taxation (including business tax as well as real property tax) are retailers of goods and services. Such firms, which are not appreciably affected by foreign competition, are precisely the ones which are in the best position to pass their tax costs along to their customers. Therefore, it may be concluded that the actual net effect of a business tax may well be unfavourable to the low income groups as a result of the tax shifting process.

(2) The business tax in the form used by the City of Winnipeg, which is applied at different percentages to different classifications of business, is an attempt to tax income at the municipal level. Although H. Carl Goldenberg, who was commissioned by the City of Winnipeg in 1958 to report on municipal taxation, recommended no immediate change in the business tax levied by the City, he did express some misgivings about the tax.

"If the municipal tax base were broad and municipalities were in a position to distribute the burden of taxation on the basis of ability to pay, the proper base of the business

tax would be net income and not rental value or assessed value or space occupied. Failing a tax based on income, a classified turnover tax would, in my opinion, be more equitable than the business tax as presently levied. Since, however, the tax base is restricted and, in any event, taxation in relation to capacity to pay is more appropriate to the senior levels of government, municipalities are not in a position to formulate tax policies in terms of the economist's canons of taxation. They are compelled to impose taxation for benefits conferred by municipal services which satisfies the requirements of fiscal adequacy and economy in administration. The real property tax and the business tax satisfy these needs and are, therefore, the most common forms of municipal taxation in Canada." <sup>17</sup>

He added, "In my opinion, the tax should be subject to constant review by the Assessment and Finance Departments of the City with the object of simplifying both classifications and rates over a period of time." <sup>18</sup>

### Conclusions

#### Form of Tax

Taking all these views and arguments into account, we have recommended that the business tax be retained in some form. Business property should pay for its municipal services. We are satisfied, too, that business should pay more than residential and non-business property because it is in the public interest to favour the residential and non-profit taxpayer. We have elaborated this view in Part F of this chapter.

We accept the arguments against the City of Winnipeg's form of business tax which classifies business not by value of the premises occupied and taxed, but by the presumed differences in earning capacity of different kinds of business. In the market place, business premises have the same rental value, a going rate for all kinds of occupants whether they operate profitably or otherwise. The rent of office space is not normally based on the degree of profit earned by the tenant. Why should taxes, which we think are paid in return for municipal services, and for municipal services only, be based on the degree of profit of the business? Such taxes would be income taxes which municipalities cannot legally levy and should not levy in competition with provincial and federal income taxes.

#### Uniformity of Rate

We think that a 'flat rate' tax is better. We also consider it desirable that the rate be uniform or nearly so throughout the province. If there are to be competitive rates of business tax to attract industry, such competition might better be inter-provincial rather than between different cities and towns of Manitoba. If the business tax in Manitoba can be kept relatively low, it should attract, at least it will not discourage, new industry.

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<sup>17</sup> Report of the Commission on Municipal Taxation. Winnipeg, Queen's Printer, 1958. p. 86.

<sup>18</sup> Ibid. p. 88.



In Ontario, business assessment, on which the tax is levied, takes the form of a percentage varying from 25 per cent to 150 per cent, depending on the type of business, added to total realty assessment. The current realty mill rate is then applied to the new figure. The resulting increase in taxes is paid by all occupiers of business premises in Ontario, be they owners or tenants. We suggest that this method be used in Manitoba except that the business assessment on which the tax is to be levied should be the same percentage of the realty assessment of the business premises for all types of business, at least within the same municipality.

On the question of uniformity of rate between municipalities, one has to consider that the proposed method of assessing for business tax and levying by applying the general mill rate, there will always be a variation from one municipality to another due to the variation in the mill rate. Furthermore, there is some variation at present in the rate of business tax levied in different municipalities. We have found that a business assessment of from 30 to 45 per cent of the realty assessment of the business property would produce business taxes within the range of variation between municipalities which exists in the present tax, except for a few minor cases where the business tax is levied at very low rates. There is little advantage in forcing unnecessary tax changes for the sake of consistency.

If the variation of business tax in the future is kept within this range, there will not be much scope for inter-municipal competition for new business on the basis of business tax advantage. This accounts for the acceptance in our recommendations of the possibility of variation between municipalities depending on their choice of assessment percentages between 30 and 45.

In the metropolitan area, however, there must be only one rate of business assessment. In this we are in agreement with the recommendations of The Metropolitan Corporation of Greater Winnipeg Review Commission, as set out in its Report and Recommendations dated February 1964 at pages 14 and 15.

A rate of 45 per cent would give Winnipeg approximately the same yield as it now gets from its business tax and would increase the yield to most other area municipalities. If our recommendations are fully implemented, the benefits to Winnipeg should be such as to leave some room for reduction of the levy on business. This would be desirable particularly if a general sales tax becomes payable. It seems better at this time not to attempt to settle the rate in advance but to leave the choice to the Provincial Government and Legislature for decision when the extent of benefit to the area municipalities in Metropolitan Winnipeg can be seen more clearly.

#### Tax Liability

We propose no change in the present method of collecting the tax from occupiers of business property. If it were levied on owners only, the administration of the tax would be simple and inexpensive. It would be a clear surtax on the realty tax and would be a direct and easily understood preference to residential and non-business realty taxpayers. The tax could also be given the legal benefits for collection purposes, which the realty tax now has, as the same person would be liable for both taxes. It may be desirable to take this step in the future. At present there will be less disturbance by keeping owners and tenants or occupiers

of business property in their existing relationships with respect to liability, payment and collection of business tax, particularly as there must be numerous long term leases and contracts which would be affected by changes.

#### Effects of Recommendations

If our recommendations are implemented, the incidence of the tax will be shifted among businesses in Winnipeg where different rates are in effect for different businesses.

The estimated yield of the business tax in the City of Winnipeg in 1964 is shown below as well as the business assessment in terms of a percentage of the realty assessment of the business premises which would produce an equivalent yield.

Assessment of business premises (annual rental value)	\$39,445,779
Estimated business tax yield	\$4,543,733
Average rate of tax on business assessment	11.5 %
Realty assessment of business premises subject to business tax	\$188,970,000
Using the 1964 realty rate of 54 mills, the additional realty assessment required to produce the same revenue of \$4,543,733 is	\$84,143,203
Business assessment, if made as a percentage of the realty assessment, to yield the same amount of tax would have to be	44.5 %

#### Advantages of Recommendations

The advantages of our recommendation are that, as a municipality's expenditures increase, any required increase in the mill rate would automatically increase the revenue from the business surtax as well as the realty tax itself. At present the business tax does not increase in accordance with the mill rate and the requirements of the municipality. It only increases by the addition of new businesses and increased rental values, when these have been taken into account by the assessor, or when municipal councils by by-law establish higher percentage rates for the tax.

Furthermore, a better base is provided for the equalization of school costs and the distribution of other inter-governmental payments which take into account fiscal capacity of the municipalities. In effect, the assessment base which would include the assessment base of the business surtax, would be both an 'equalized' and a 'balanced' assessment as now defined. There would be no need to consider converting business tax revenues back into business assessment for purposes of better equalization.

Finally, the distribution of the levy of The Metropolitan Corporation of Greater Winnipeg could be made on the basis of equalized assessment which would include the business assessment.

## PART F - RESIDENTIAL PREFERENCE

### Recommendation 49

RESIDENTIAL PREFERENCE. WE APPROVE THE PRINCIPLE OF GIVING TO RESIDENTIAL AND NON-BUSINESS PROPERTY TAXPAYERS A TAX PREFERENCE AS AGAINST BUSINESS PROPERTY TAXPAYERS AND CONSIDER THAT THE EXCESS LEVY OR SURTAX ON BUSINESS PROPERTY WHICH WE PROPOSE FOR THE FUTURE WOULD GIVE A SATISFACTORY PREFERENCE. 'RESIDENTIAL' PROPERTY SHOULD INCLUDE ALL FARM, RURAL OR URBAN DWELLINGS AND DWELLING UNITS WHICH ARE OWNER-OCCUPIED OR RENTED. 'NON-BUSINESS' PROPERTY COMPRISES ALL PROPERTY WHICH IS NEITHER RESIDENTIAL NOR BUSINESS PROPERTY.

#### Tax Preferences for Residential Property

Real property tax preferences for home owners and other non-business groups are developments which have increased in importance and controversy since the war. We refer to three types of preference: the use of a lower or preferred tax rate or assessment for non-business property; the exemption of non-business property; and the subsidization of owners of non-business property.

Early tax preferences were almost entirely confined to particular cities. In the 1920's, unique types of tax preferences based on differential tax rates or differential assessments were developed in Montreal, Toronto and Edmonton. Subsequently a number of cities in Quebec introduced tax preferences, and in 1943 the widely known dual tax rate of the City of Halifax began. However, apart from site valuation taxation (which has a dubious claim to providing a general preference for non-business property), it was not until 1957 that tax preferences on a province-wide scale were introduced. In that year the Province of Ontario introduced its system of differential mill rates for owners of residential farm property and industrial-commercial property, and the Province of British Columbia introduced its home owner grants. Both provinces have subsequently extended these arrangements. Also, during the past decade, tax preferences have become of increasing importance in Quebec Province, particularly on populous Montreal Island and in Quebec City.

At present direct or indirect tax preferences for non-business property exist in every one of the ten provinces. It can also be said that direct preferences exist in most of our major cities including Victoria, Vancouver, Edmonton, Toronto, Ottawa, Hamilton, London, Windsor, Montreal, Quebec City and Halifax. These preferences relate solely to the real property tax and take no account of business taxes which business property is also required to pay in the great majority of tax jurisdictions, including nearly all of our cities, and which in themselves amount to a form of tax preference for non-business properties.

In some municipalities the pattern is reversed and one finds preferences for industry, usually in the form of fixed assessments or fixed taxes. This form of preference by exemption we mention and condemn in Part D of this chapter.

There are numerous reasons which have given rise to tax favouritism for non-business property.

Society attaches great importance to home ownership and to owner-occupied farms. The real property tax provides a threat to such ownership because properties for which taxes are owing may be put up for sale. We approve this justification for tax preferences and believe that it provides sufficient support for a considerable measure of real property tax preference for owner-occupied housing and farm property.

Transfer payments from the provinces to the municipalities as a means of giving a preference to home owners have come into use and have increased rapidly in importance. It is to be noted that conditions can be attached to these transfer payments in such a way as to benefit special groups of taxpayers. This is illustrated by the tax preferences introduced by Ontario and British Columbia in 1957. In both instances the preferences were initiated by the provinces. A province can initiate the change at no cost to itself if it attaches the necessary conditions to existing grants or discontinues other grants at the time when the new grants are started. This sort of reasoning conflicts with our general approach to the problems of municipal independence and the self-sufficiency of the real property tax for municipal functions as we have redefined them.

It is widely believed that business has more 'ability to pay' real property taxes than the home owner. However, business does not really pay taxes in any final sense since it shifts all of its costs on to individuals as consumers, wage-earners, shareholders, etc. In some instances the groups to whom business shifts its tax load have relatively high ability to pay and in other cases they have relatively low ability to pay. It is also argued that business has more ability to pay municipal taxes than the home owner since business can deduct the cost of its taxes for income tax purposes whereas the home owner usually cannot. This argument overlooks the fact that business must declare its income from property whereas the home owner who receives what we call 'imputed income' is not required to declare this income which is very real income even though it is not cash income. In any event, it is the contention of your Commission that municipal government should not be authorized to base its tax structure on ability to pay concepts; such taxes should be reserved to the senior levels of government.

Notwithstanding their realization that business will shift much of its tax load onto consumers, some people prefer the indirect type of taxation which this involves.

It is argued that higher taxation of business is justified on the grounds that business property benefits more from municipal services than other property. We accept this argument as having some application if public education is excluded from the cost of municipal services; in particular it tends to be true that large cities incur relatively high costs for servicing large concentrations of business property in a downtown area such as costly traffic arteries to take care of massive inflows and outflows of working population.

In Manitoba and generally elsewhere, the municipal franchise does not extend to corporations. This is taxation without representation and should not be lost sight of by those who are responsible for establishing municipal tax policy. Clearly it does not justify higher municipal taxation of business.



## Methods of Providing Residential Tax Preferences

In view of the economic importance of a tax preference it is worthwhile to consider briefly the various devices used to achieve this end.

### Differential Mill Rate

In Halifax in 1943 the mill rate for residential property was frozen at 35 mills. The residential rate remained at 35.0 for 13 years until a general re-assessment became effective in 1956. The pressure of increased expenses for the City was met by a sharp rise in the business rate which reached a peak of 100.6 mills in 1952. This differential caused vigorous complaint and widespread alarm and resulted in the appointment of a one-man commission to investigate. The use of a fixed rate for residential and a variable rate for business is abolished in the new charter for Halifax which is now coming into effect, but a preference for residential property is maintained in another form. Section 226 of the Halifax Charter provides that business property shall be taxed at 100 per cent of assessed value and residential at 45 per cent or such higher percentage as the city council may determine. The preference applies to single family dwellings, apartments and vacant land.

The Ontario<sup>19</sup> system provides for a preferred real property tax rate for property which is not subject to business tax, that is, to residential (including apartment) and farm property, and, for a non-preferred rate for property which is subject to business tax, that is, to commercial and industrial property. The cost of the preference is supported by a system of provincial grants. In 1957 the Province of Ontario required its municipalities to impose separate rates of general (non-school) tax for owners of 'residential-farm' and 'industrial-commercial' property in order to qualify for grants under The Municipal Unconditional Grants Act. The exact amount of the differential between the two tax rates in each municipality depends upon the amount of the provincial grant which varies from \$2.10 to \$4.50 per capita for cities and separated towns and from \$3.00 to \$3.75 for county towns, villages and townships. Metropolitan Toronto, being the only municipality with a population in excess of 750,000, earns a grant of \$5.50 per capita, according to the provisions of the Act. The use of split mill rates was extended to the elementary school rates in 1961 and to the secondary rates in 1963 but with a somewhat different method. Municipalities are required to impose taxes on 'residential-farm' property at rates exactly 10 per cent below those for 'industrial-commercial' property in order that their school boards may qualify for school tax assistance grants. These grants, unlike those for the general taxes, are not related to the amount of the preference with the result that some school boards gain financially from this arrangement while others lose. The degree of benefit depends upon the proportion of preferred and non-preferred property in each municipality.

### Differential Assessments

Another method of achieving a preference for residential property is by assessing it at a lower level than business. The City of Edmonton has long used

<sup>19</sup> The research carried out also includes a study of the arrangements in use in Montreal Island, Quebec City and some other urban areas in Quebec for school taxes but we have not included a summary of this material because of the lack of similarity between the educational systems in Quebec and Manitoba.

a differential assessment with residences assessed at 50 per cent of fair actual value and all other property at 60 per cent. The preference is limited to buildings constructed and used as dwellings for one family or housekeeping units, excluding apartments and multiple family dwellings. A provision of the Edmonton City Charter authorizing this system was used continuously from 1926 to 1951 but was not included in the new Cities Act of that year. Owing to strong public protest it was restored in 1952 and made available for all cities, but only Edmonton has made use of it.

#### Provincial Grants or Subsidies for Home Owners

The Home Owner Grant system used in the Province of British Columbia has also been considered by your Commission. Under this system an eligible home owner becomes entitled to a reduction in his municipal taxes by completing an application on the back of his tax bill.<sup>20</sup> Initially the reduction was \$28 but this was increased to \$50 in 1960, to \$70 in 1963 and recent legislation provides for further increases to \$85 in 1964 and to \$100 in 1965. There is a proviso that no tax can be reduced to less than one dollar a year. All municipalities are reimbursed by the province for reductions made at an estimated cost for 1964 of \$22,030,000.00.

#### Partial Exemption of Residential Property

Another method of achieving a differential in favour of owners of houses is to grant an exemption to such persons but not to the owners of business property. The City of Toronto and the Town of New Toronto provide the only examples of this type of tax preference.

The Toronto city exemption began in 1922<sup>21</sup> and provides what is known as a 'partial graded exemption' for dwelling houses from general, but not from school, taxes. Under this system, houses assessed at \$2,000 or less are taxed on only 50 per cent of assessed value, those assessed between \$2,001 and \$2,500 on 60 per cent, between \$2,501 and \$3,000 on 70 per cent, between \$3,001 and \$3,500 on 80 per cent and between \$3,501 and \$4,000 on 90 per cent of assessed value. Homes assessed at more than \$4,000 receive no preference.

In summary, your Commission does not recommend any of these systems even though it does accept the principle of a preference. Except as a transitional expedient, each seems to suffer from inherent defects or to be inapplicable to the system of local government which we envisage for Manitoba. The fixed mill rate for residential and the variable mill rate for business property have not been a success in Halifax. Both the Ontario and British Columbia systems subsidize home owners through the municipality. This involves provincial interference with municipal fiscal autonomy. We have sought to avoid subsidies, particularly those involving large-scale transfers and we are not persuaded that they should be used in this way to encourage residential preferences.

<sup>20</sup> An eligible 'home owner' includes a tenant for life, the tenant of Crown of municipal property, the registered holder of property under an agreement for sale and an apartment owner occupying one of the suites of his apartment.

<sup>21</sup> The relevant by-law was passed under former section 34 of The Ontario Assessment Act which extended to all cities, towns, villages and townships. This section was repealed in 1955 but with the proviso that any by-law passed under it would remain in effect until repealed.

### The Type and Amount of Preference

In our view, a reasonable and proper preference is established for home owners and owners of non-business property by the additional levy which, in Part E of this chapter, we have recommended be made on business property. For that matter the present business tax also gives an acceptable preference in most municipalities.

What we are proposing is that the business tax be altered to what is in effect a surtax on business premises which would be levied by the municipality at its current mill rate upon an additional percentage of the existing realty assessment of the business property. The yield of the tax will depend on the percentage of the realty assessment of business property which is used as the base for the tax.

If this percentage had been 45 per cent, it would have produced a tax approximately equal to the business tax in the City of Winnipeg in 1962. If this percentage were adopted in order to preserve the present yield of this tax in Winnipeg, the effect would not be the same for other municipalities where the business tax is now levied at different rates.

These variations do not conflict with our views about the business tax which are expressed in the preceding part. Apart from the desirability of maintaining a substantial tax preference for residential and non-business property and the loss of revenue, it would not be harmful to reduce the business tax for the reasons which we have already given in Part E and particularly for the reason that it behaves like a consumption tax without exemptions. We recognize, however, that the business tax is a valuable source of revenue and we adopt it as a ready-made preference for the residential and non-business property owner.

### Who Should Get the Preference?

The other question we have had to consider and answer is whether or not the real property tax preference should be limited to home owners occupying their own homes or be extended to all tenants of residential property as well as to taxable property occupied for charitable, community and other activities not carried on for profit nor in competition with commercial taxpayers. As we base our support of the tax preference on the desirable policy of encouraging home ownership, the preference might be limited to those who own their homes, whether single family, duplex or co-operative apartment. As the 1961 census figures show, the great proportion of residential units in Manitoba are owner-occupied: 73 per cent, or 176,156 units out of a total of 239,754. An analysis of dwelling units in Manitoba according to the 1961 census is shown in Table 18.

Shelter is as much a basic necessity as food, and the cost of shelter tends to be a disproportionate amount of family budgets. It is fair to assume that those who are tenants of small properties and occupy the average apartment are there, in many cases, because of their limited financial resources. We conclude that they should have the same treatment as home owners.

Farmers provide another major group which should benefit from the preferred tax rate. We also conclude that those activities which are not for profit but for the general benefit of some group or other, such as would bring them

within the broad legal definition of charity, should not be charged with more than the residential rate.

Table 18. - Dwelling Units in Manitoba 1961

Classification	Owner-Occupied	Rented	Total
Single Detached	165,011	25,160	190,171
Single Attached	4,829	6,538	11,367
Apartments	5,299	31,816	37,115
Total	176,156	63,598	239,754

Source: D. B. S. , Housing, 93-529 - Table 75.

Conclusion

In summary, we endorse the principle of a real property tax preference for residential and non-business property owners as compared to the business property owners and consider that a business tax at approximately the level of the current business tax would provide an appropriate level of preference, although we suggest that the business tax be recast in a different form.



## PART G - OTHER MUNICIPAL TAXES AND REVENUES

### Recommendation 50

OTHER MUNICIPAL TAXES. THE POWERS OF MUNICIPAL CORPORATIONS TO LEVY TAXES AND COLLECT MISCELLANEOUS REVENUES SHOULD REMAIN UNCHANGED WITH THE FOLLOWING EXCEPTIONS AND QUALIFICATIONS:

- (a) REPEAL OF THE POWER OF MUNICIPALITIES TO LEVY THE PERSONAL PROPERTY TAX, THE POLL TAX AND THE STATUTE LABOUR TAX;
- (b) THE TAX ON OIL, NATURAL GAS AND SALT PRODUCTION EQUIPMENT AND GAS TRANSMISSION LINES, NOW TAXED AS PERSONAL PROPERTY, SHOULD BE CONTINUED. THIS FORM OF PROPERTY, TOGETHER WITH PIPE LINES UNDER SECTION 1007 OF THE MUNICIPAL ACT, AND OTHER SIMILAR FIXTURES TO REAL PROPERTY, WHETHER OR NOT UNDER SEPARATE OWNERSHIP FROM THE LAND, MIGHT BETTER BE TAXED AS REAL PROPERTY RATHER THAN AS PERSONAL PROPERTY; AND
- (c) THE ELECTRICITY AND GAS SALES TAX OF THE CITY OF WINNIPEG SHOULD NOT BE INTERFERED WITH UNLESS IT CONFLICTS WITH A MORE GENERAL PROVINCIAL SALES TAX.

Personal property as defined in The Municipal Act means goods and chattels and includes corporation shares, oil, natural gas or salt production equipment, gas transmission lines, plants and machinery, and certain buildings which are not affixed to the land. All municipalities are required to levy a personal property tax, unless, by by-law, a business tax is chosen. Most municipalities have chosen the business tax and in 1962 personal property assessment in Manitoba was \$11.4 million as compared to a business assessment of \$56.7 million. Because business tax is levied on its assessment as a percentage, and not, like personal property, as a mill rate, the yield from business tax is proportionately greater than these figures indicate.

Many commissions of enquiry in other provinces have condemned the personal property tax. As far back as 1902, the McLennan Commission, which was enquiring into assessment practices in Ontario, wrote, "One conclusion which can unhesitatingly be drawn is that the tax on personal property is a failure, and that it is a hopeless task to attempt to perfect it by further legislation. It should, therefore, be abolished."<sup>22</sup> As recently as February 1964 the New Brunswick Royal Commission on Finance and Municipal Taxation observed, "For reasons which are well known, it has been found impossible to devise a system of personal property taxation which will provide even the roughest measure of justice and equity, and a tax on personal property is generally regarded as an anachronism. . . . We recommend that the personal property tax be abolished forthwith in all municipalities."<sup>23</sup>

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<sup>22</sup> Canadian Tax Foundation. Local Finance. March 1960. p. 8.

<sup>23</sup>

Report of the New Brunswick Royal Commission on Finance and Municipal Taxation. Fredericton, Queen's Printer 1963. Chapter Thirteen, pp. 87 and 93.

The Municipal Enquiry Commission recommended the repeal of the municipal personal property tax, the poll tax and the statute labour tax.

Your Commission agrees with the opinions quoted above and recommends the abolition of the personal property tax because it is difficult to collect, expensive to administer and may be subject to abuse. We also recommend that oil, natural gas and salt production equipment, and gas transmission lines be removed from the category of personal property to which they have been arbitrarily assigned.

The poll tax, which is provided for in section 1069 of The Municipal Act, has not been used recently as a source of revenue by any municipality in Manitoba. The chief justification of the tax is that it can be used to reach those who pay no real property tax, but since we are recommending a sales tax this reason would not apply. The poll tax also suffers from the disadvantages of being regressive, difficult to collect and relatively unproductive, and we therefore recommend that power to levy it be rescinded. The statute labour tax, which according to section 1079 of The Municipal Act, "may be paid by the performance of road work, on the basis of one day's statute labour for a man, or one-half day's statute labour for man and team for each two dollars of levy imposed", is obviously an anachronism and should be abolished.

In 1935 the City of Winnipeg was authorized to levy a sales tax on purchases of electricity and gas. It was originally at the rate of 10 per cent on commercial bills and 5 per cent on domestic bills but soon after was reduced to 5 per cent and 2 1/2 per cent which it is today. This tax produced \$483,000 in 1962, the equivalent of about one mill on the City's taxable realty assessment. As long as there is no conflict with the provincial sales tax recommended in Chapter VIII, your Commission recommends that the City of Winnipeg be allowed to retain this tax.

At the public hearings a number of representations were made urging the Provincial Government to share its revenue from gasoline and motive fuel taxes and from motor vehicle registration with the municipalities so that they might use the money to meet road costs. Your Commission cannot recommend such a sharing of revenue but has instead proposed a new division of responsibility for road construction and maintenance.

Your Commission has reviewed the sources of revenue used or proposed for municipal purposes in other provinces but does not wish to recommend any of them for use in Manitoba. A general municipal sales tax is used only in the Province of Quebec where it is levied by the municipalities and collected by the Province. We have taken the view, as is stated more fully in Chapter VIII, that a sales tax should be used to finance additional provincial responsibilities resulting from our recommendations. However, we believe that this tax should be levied and collected by the Province only.

In August 1959 the City of Halifax introduced a deed transfer tax through which the City received from the grantee one-half of one per cent of the value of all property transferred. A tax, similar in form, has also been used extensively in the United States. The use of such a tax at the present time is not recommended.

## PART H - GRANTS, CONDITIONAL AND UNCONDITIONAL

### Recommendation 51

PROVINCIAL GRANTS. MUNICIPALITIES, WHEN THEY HAVE BEEN RELIEVED OF PART OF THE COSTS OF EDUCATION AND FROM THE RESPONSIBILITY FOR HEALTH AND WELFARE SERVICES AND HAVE GREATER ACCESS TO THE REAL PROPERTY TAX, SHOULD BE ABLE TO CARRY OUT THEIR FUNCTIONS WITHOUT UNCONDITIONAL GRANTS FROM THE PROVINCE. THESE GRANTS SHOULD BE DISCONTINUED. CONDITIONAL OR INCENTIVE GRANTS SHOULD NOT BE OFFERED TO MUNICIPALITIES AS A SOURCE OF REVENUE TO ENABLE THEM TO CARRY OUT THEIR EXCLUSIVE RESPONSIBILITIES.

Many of the reasons for this recommendation have already been given in previous chapters and need only be recapitulated briefly here. In the Preface it was pointed out that the Province made 39 different grants to municipalities in 1963-64, and that this maze of inter-relationships obscures the responsibilities of both the Provincial Government and of the municipalities. In Chapter II some detail is provided on the relationship between individual departments and local governments and in Chapter III a definite proposal is made for the redefinition of local responsibilities. At various other points in the text we have emphasized the necessity of making the real property tax the main source of municipal revenue and of enabling a ratepayer to see a relationship between taxes paid and services rendered. To accomplish these ends the grant system must be altered radically.

Under the Unconditional Grants Act (S.M., 1957, c. 74) the Province pays grants, currently at the rate of three dollars per capita, to all municipalities on the basis of their respective populations as determined by the preceding census. These grants may be used for any purposes that fall within the jurisdiction of municipalities as defined in The Municipal Act. After the redivision of responsibility proposed earlier and the reduction in the municipal share of public school costs recommended in Chapter V, these grants should not be necessary. Your Commission is aware, of course, that some municipal units operate at the margin of fiscal viability, and will continue to do so even after the fiscal reforms we have proposed are carried out. The first step to alleviate their difficulties should be to redraw municipal boundaries in accordance with the principles and procedures described in Part A of Chapter IX. If, after such consolidation, some municipalities are still unable to carry on, they should be dealt with as exceptional cases requiring continued provincial assistance which might be given in the form of fiscal need grants allocated in inverse ratio to their per capita tax potential or equalized assessment.

We recommend that conditional grants should be discontinued at the time of implementation of this Report and that if any programs are to be restored or new ones introduced this should be done only after a thorough review and in accordance with established principles. The first and most important principle is that no conditional grants should be given for exclusive municipal responsibilities, with the possible exception of contributions to shared programs for roads in urban centres, if complete segregation of responsibility for streets or arterial roads within urban boundaries cannot be effected. Secondly, if conditional grants are offered by senior levels of government to municipalities to induce them to make their services available to perform functions which are beyond their exclusive responsibilities, as we have defined them, such grants should provide complete payment for the services required.

## CHAPTER VII

## MUNICIPAL FINANCES

PART A - REVENUES AND EXPENDITURESIntroduction

This chapter of the Report deals with trends in municipal revenues and expenditures in the last decade and the indebtedness of local government. Then it proceeds to a consideration of the financial position of municipal government, assuming the adoption of our proposals.

The Trend in Local Revenues

In order to meet their responsibilities municipalities have relied on a number of revenue sources. The number does not vary significantly from one municipality to another but the productivity of these various sources differs substantially throughout the province. The following is a broad classification of municipal revenues:

Taxes

- real property
- personal property
- business
- local improvement charges and special assessments
- grants in lieu of taxes
- water charges
- utility profits

Subsidies and Grants

- provincial unconditional grants
- conditional grants-in-aid

Miscellaneous

- licences and permits
- finest
- interest
- rentals
- sales
- service charges
- parking meters

There may be other local revenues that are not taken into account in the above classification but they are likely to be incidental.

There may be some question about the propriety of classifying grants in lieu of taxes in the first group. However, as we argue in Chapter VI, Part D, such payments to municipalities are in respect of public property which, like taxable private property, receives the benefits of municipal services. Such payments are regarded as grants because of the exemption of all Crown property, federal or provincial, from taxation by other governments. In fact the payments are in lieu of property taxes and, if no property belonging to the Crown existed in a municipality, no grant would be forthcoming.



Real, personal and business property taxation has been examined elsewhere in the Report. Local improvement levies are for specific services such as sidewalks, pavements, sewers, etc., the costs of which have been borrowed and are to be repaid in definite instalments, usually over a period of twenty years. While they are not part of the general mill rate, they do appear on the tax bill. Water charges on the tax bill arise from the fact that some municipalities levy the capital cost of water mains through the general mill rate on the theory that vacant land so serviced becomes more valuable even though there is no consumption of water. Utility profits arise when the rates charged for a particular service are higher than is necessary to provide for the cost of the service. These are permitted to be set higher for the relief of realty taxation and therefore constitute a separate tax on the users of the particular service.

With few exceptions, municipalities receive their grants-in-aid from the Provincial Government. The Government of Canada makes such grants only occasionally. Conditional grants are so defined because they are paid on 'condition' that the money is expended for a particular project. Because the costs of certain municipal services, particularly public works and social services, have risen, the Province has found it necessary to 'encourage' the municipalities to proceed by giving direct aid. The terms of these grants vary depending upon the purposes. For example, the grant may be for part of the cost of a road or drainage project or it may be made on an ad hoc basis unrelated to any established departmental policy.

Conditional grants serve at least two purposes: to induce municipal councils to undertake certain services, or to improve or maintain a standard of service; or to equalize the burden of maintaining certain services at adequate standards as between municipalities, depending on the relative fiscal capacities of the municipalities.

Unconditional grants, on the other hand, are paid to municipal governments for the sole purpose of supplementing their revenues. In Manitoba, this grant is a flat per capita subsidy. Municipalities in each year receive an amount equivalent to three dollars per person residing in their respective jurisdictions according to the most recent census count. The Province first made provision for the payment of this grant in 1957.

Little need be said about miscellaneous revenues. They represent a small proportion of the total, regardless of the fact that they may increase significantly. Licence and permit fees are for the purpose of regulation rather than revenue, or to pay the costs of inspection. Revenue from the sale of property acquired through tax sale fluctuates in individual municipalities and can disappear eventually. Revenues from fines, parking meters, interest, rental and service charges, while they recur from one year to the next, are not likely to increase significantly.

Municipal revenues are now considered by classes of municipality as follows:

Rural Municipalities, including the unincorporated urban communities lying within their boundaries,  
Villages,  
Towns,  
Suburbans and Cities, excluding Winnipeg, and  
The City of Winnipeg.

Tables that provide amounts and figures for years other than 1962 have been adjusted wherever possible so as to include in each of the above categories the same municipalities as were included in 1962. Each class comprises municipalities which share the same general characteristics of population density, service requirements and scale of operations.

Table 1. - Revenues by Source as a Percentage of Total Revenues for Sample Municipalities 1962

Revenue Sources	Rural Municipalities	Villages	Towns	Suburbans and Cities <sup>1</sup>	Winnipeg
	%	%	%	%	%
Real Property <sup>2</sup>	83.6	81.2	76.8	80.2	65.3
Business Tax	0.9	5.7	5.3	4.3	10.5
Grants in Lieu of Taxes	-	0.9	2.0	4.8	6.1
Utility Profits	-	-	-	-	1.7
Unconditional Grants	3.0	4.6	4.7	4.4	2.2
Other Grants <sup>3</sup>	9.9	4.9	6.4	1.3	5.0
Licences and Permits	0.1	0.7	1.2	0.6	1.4
Fines	-	0.4	0.7	0.7	1.5
Interest	0.8	0.3	2.1	2.2	-
Rentals	1.0	0.6	0.1	0.3	0.1
Service Charges	0.1	0.3	0.4	0.1	-
Parking Meters	-	-	-	0.3	0.4
Miscellaneous <sup>4</sup>	0.6	0.4	0.3	0.8	5.8
Total	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> Excluding Winnipeg.

<sup>2</sup> Includes personal property tax and special assessments.

<sup>3</sup> It is important to note that only that part of school costs which is paid for by the realty tax is included in the above figures. This is because school grants are paid directly to school boards. These are dealt with in the chapter on education.

<sup>4</sup> Miscellaneous for the City of Winnipeg includes a number of revenues not readily classified.

From the financial statements of sample municipalities, Table 1 has been prepared to illustrate the importance of the real property tax as the major source of revenue for municipalities. With the exception of the City of Winnipeg, all groups of municipalities rely on the real property tax for approximately 80 per cent of their current revenues. Winnipeg obtains decidedly more revenues from the business tax than the other municipalities, and obtains comparatively

more from grants in lieu of taxes, utility profits, licences and permits, fines, and miscellaneous sources. Electricity and gas sales tax revenues, included in miscellaneous, and utility profits are received generally from the citizens of Winnipeg. The business tax, it can be fairly said, is not in its entirety a burden on Winnipeg citizens. It is distributed more widely among all those consumers of goods and services sold by Winnipeg businesses.

The fact that there is little business property in the rural municipalities is also reflected in Table 1. If business tax revenues equalled the average rate of five per cent of total revenues which is common in urban communities, real property taxes in rural municipalities would constitute a slightly lower percentage than in towns, villages, suburbans and cities. Rural municipalities are involved relatively more in cost-sharing arrangements for the maintenance and construction of drainage and roads, and receive almost ten per cent of their total revenues from conditional grants-in-aid.

The real property tax is the major source of revenue for municipal government in this province. Other municipal revenue sources are not capable of a great deal of expansion. When municipalities are faced with the need for larger revenues, they necessarily increase the levies on real property. Table 2 shows the large increases in tax impositions since 1951. Business and personal property taxes are included but they represent only ten per cent of the total. Most of the increase, therefore, is due to real property taxes.

Table 2. - Tax Impositions by Municipal Government in Manitoba 1951 and 1962

Class of Municipality	1951	1962	Percentage Increase
	\$	\$	%
Rural Municipalities	12, 222, 027	18, 314, 828	49. 9
Villages	566, 890	1, 300, 890	129. 5
Towns	2, 322, 676	6, 498, 188	179. 8
Suburbans and Cities (excluding Winnipeg)	5, 136, 972	22, 850, 072	344. 8
Winnipeg	15, 893, 351	30, 381, 242	91. 2
Total	36, 141, 916	79, 345, 220	119. 5

Source: Statistical Information, Department of Municipal Affairs.

In Table 2 the increase in tax impositions varied widely; rural municipalities increased only 50 per cent while suburbans and cities rose nearly 350 per cent. The average increase for all municipal governments in the province was 120 per cent. The annual rates of increase varied from less than 5 per cent in rural municipalities to over 30 per cent in suburbans and cities.

All of these amounts and rates reflect absolute increases and do not reveal the entire picture as is shown in Table 3. If the tax impositions are expressed in per capita amounts, it can be seen that the increases have been far less. The extreme case again is the category of suburbans and cities where, because the tax increases have been in large part caused by a rapidly growing population, the

per capita tax imposition increase is not nearly so great. In rural municipalities, the per capita increase exceeds the absolute increase because the population has declined somewhat.

Table 3. - Per Capita Tax Impositions by Municipal Government 1951 and 1962

Class of Municipality	1951	1962	Percentage Increase
	\$	\$	%
Rural Municipalities	49.10	78.16	59.2
Villages	31.15	61.56	97.6
Towns	35.24	76.94	118.3
Suburbans and Cities (excluding Winnipeg)	35.75	94.65	164.8
Winnipeg	67.43	114.46	69.7
Total	50.73	93.71	84.7

Source: Statistical Information, Department of Municipal Affairs.

#### Municipal Expenditures

Tax impositions have increased because municipal expenditures have increased, the measure of which is shown in Table 4.

Although the extent of increase varies widely, all classes have experienced substantial expenditure increases in absolute terms, ranging from 59 per cent for rurals to 310 per cent for suburbans and cities. The average increase was 120 per cent. These increases almost equal the increase in tax impositions set out in Table 2 and the variations in the two growths are due to slight changes in other municipal revenues.

Table 4. - Total Expenditures (Including School Levies) by Class of Municipality 1951 and 1962

Class of Municipality	Total Expenditures		Per-centage Increase	Per Capita		Per-centage Increase
	1951	1962		1951	1962	
	\$	\$	%	\$	\$	%
Rural Municipalities	12,174,904	19,331,250	58.8	48.91	82.50	68.7
Villages	558,310	1,398,113	150.4	30.68	66.16	115.6
Towns	2,933,451	7,217,146	146.0	44.51	85.46	92.0
Suburbans and Cities (excluding Winnipeg)	6,308,447	25,879,973	310.2	43.91	107.21	144.2
Winnipeg	19,991,398	39,068,992	95.4	84.81	147.19	73.6
Total	41,966,510	92,895,474	121.4	58.91	109.71	86.2

Note: Provincial Conditional Grants are deducted from the expenditure amounts.

Source: Municipal Statistics, Department of Municipal Affairs.  
Municipal Financial Statements, 1951, 1962.



Table 5. - Municipal Expenditures by Purpose in Per Capita Amounts and as Percentages of Total Expenditures 1962

Expenditure Purpose	Rural Municipalities			Villages			Towns			Suburban and Cities <sup>1</sup>			Winnipeg			All Municipalities		
	Per Cent	Per Capita	Per Cent	Per Cent	Per Capita	Per Cent	Per Cent	Per Capita	Per Cent	Per Cent	Per Capita	Per Cent	Per Cent	Per Capita	Per Cent	Per Cent	Per Capita	Per Cent
	%	\$	%	%	\$	%	%	\$	%	%	\$	%	%	\$	%	%	\$	%
Schools	44.13	36.40	45.04	36.23	30.97	41.03	35.83	44.00	35.83	52.74	39.18	42.98						
Debtentures - general	.28	.23	.69	.45	2.76	10.65	10.00	11.42	10.00	14.72	7.49	8.22						
- utility	.03	.03	6.57	4.35	10.61	2.01	-	2.16	-	-	1.63	1.79						
Metro	.20	.16	-	.17	.14	5.79	9.37	6.21	9.37	13.79	5.61	6.15						
Deferred Liabilities	1.20	.99	.96	.60	.51	3.68	-	3.94	-	-	1.34	1.47						
Other	3.52	2.90	.19	.21	.18	2.18	-	2.34	-	-	1.36	1.49						
Subtotal	49.36	40.71	53.45	52.86	45.17	65.34	55.20	70.07	55.20	81.25	56.61	62.10						
Controllable:																		
Public Works	28.58	23.58	15.91	15.32	13.08	9.78	4.08	10.49	4.08	6.01	11.82	12.96						
Protection	2.50	2.06	8.77	10.80	9.23	11.33	25.07	12.15	25.07	36.91	15.19	16.67						
Social Services	2.62	2.16	2.79	2.61	2.23	2.00	3.31	2.14	3.31	4.87	2.74	3.01						
Recreation and																		
Community Services	.70	.59	2.50	3.76	3.21	1.33	4.84	1.42	4.84	7.10	2.87	3.16						
Fixed Assets	4.04	3.33	2.52	2.39	2.04	.85	-	.90	-	-	1.30	1.43						
Reserves	3.54	2.92	1.45	1.42	1.21	1.49	1.00	1.59	1.00	1.47	1.70	1.87						
Utility Operating	.05	.04	.30	.55	.47	1.01	-	1.09	-	-	.34	.37						
Miscellaneous	.02	.02	.04	.68	.59	1.96	2.98	2.10	2.98	4.39	1.86	2.04						
Administration	8.59	7.08	12.27	9.61	8.22	4.91	3.52	5.26	3.52	5.19	5.57	6.10						
Total	100.00	82.49	100.00	100.00	85.45	100.00	100.00	107.21	100.00	147.19	100.00	109.71						
<sup>1</sup> Excluding Winnipeg																		

Source: Municipal Statistics, Department of Municipal Affairs.

It is interesting to examine the relative distribution of expenditures by different classes of municipality among the various municipal services. Table 5 shows the percentage distribution and per capita expenditures by services. The importance of certain services in different localities is clearly shown, particularly the positions of public works in rurals, and protection and social services in the City of Winnipeg.

Per capita costs of general government or administration are noticeably regular in towns, suburbans and cities, and Winnipeg, but are considerably higher in rural municipalities and villages. In per capita terms, schools cost \$42.98 on the average. The range of school expenditures per capita extends from \$30 in villages to \$53 in Winnipeg. As a per cent of total expenditures, school levies consume a very large part (39 per cent on the average) of municipal budgets. This percentage is 36 per cent in towns and the City of Winnipeg, and suburbans and cities; rural municipalities and villages range from 42 to 45 per cent.

The over-all growth in the level of municipal expenditures has been caused primarily by the following four factors:

- population growth,
- inflation,
- improvement in services beyond municipal control, and
- improvement in services within municipal control.

#### Population

A most direct relationship exists between governmental expenditures and population levels. This relationship is well illustrated by comparing the growth in expenditures with the growth of population.

Table 6. - Population Trends by Class of Municipality 1951 and 1961

Class of Municipality	Population		Percentage Increase (Decrease)
	1951	1961	
			%
Rural Municipalities	248,942	234,322	(5.9)
Villages	18,196	21,131	16.1
Towns	65,907	84,453	28.1
Suburbans and Cities (excluding Winnipeg)	143,684	241,404	68.0
Winnipeg	235,710	265,429	12.6
Total (excludes un- organized territory)	712,439	846,739	18.9

Source: D.B.S., Census Publications, 1951, 1961.

While the total population of the organized territory of the province has grown almost 20 per cent in the past decade, growth in different sections of the province and in different municipalities has varied sharply. The rural to urban shift in population is strikingly revealed. Rural municipalities have experienced a decline in population. At the same time the populations of urban municipalities range in their growth from 13 per cent in the City of Winnipeg to 68 per cent in the suburbans and cities.

Generally, expenditures increased with population. Two exceptions are noteworthy. Although town populations grew at a higher rate than villages, the per capita and absolute expenditures in the latter have grown at a higher rate than the former. The other exception is the case of rural municipalities where expenditures have been rising despite a declining population. A variety of reasons serve as an explanation for this upward trend in expenditures, including inflation, improvements in services, and an increase in the number of pupils attending rural schools. This develops as well from the nature of municipal services, particularly those of rural municipalities. It underlines that local services are as much related to property as they are to the welfare of people. Rural municipalities expend the largest proportions of their budgets, apart from schools, on roads and drainage, and protection of property, weed control, etc. Such services must still be provided notwithstanding the decrease in population.

In summary, the population of the province has had direct and measurable consequences for the financial position of municipal governments. More people mean more homes and real property to be serviced, more children to be educated and roads to be built. Beyond this, however, there are additional costs created by the manner in which the population chooses to distribute itself. In densely settled areas, for example, police and fire protection, health and welfare and traffic services all become more costly in per capita terms. In sparsely settled areas on the other hand, per capita expenditures on local roads and transportation facilities for school children become costly.

#### Inflation

It has been explained that municipal costs will rise on account of growth in population, even if the standard of services (constant per capita expenditures) remains fixed. Another factor over which municipalities have virtually no control and which directly affects the cost of their services is the purchasing power of their dollar. The extensive decline in the value of local governments' dollar is shown below:

<u>Year</u>	<u>Price Index for Municipal and other Local Government</u>
1951	100.0
1952	103.6
1953	107.7
1954	110.5
1955	116.0
1956	118.1
1957	124.2
1958	133.2
1959	137.9
1960	147.0
1961	159.9
1962 (estimated)	168.3

Source: Dominion Bureau of Statistics, Indexes of Real Domestic Product by Industry of Origin 1935-61, p.70.

Although this is a national index and may overstate the case for Manitoba, it is obvious that the steady rise in prices has been an important factor in increasing expenditures. Accepting the price index and applying it to local government in Manitoba, it is seen that, in order to provide the equivalent of the service that cost one dollar in 1951, municipalities on the average would have had to spend one dollar and sixty-eight cents in 1962. The remarkable rise in the price of wages, salaries, materials, goods and services which municipal government and school boards must purchase in order to provide their services to the public far exceeds the general rise in the price of goods and services. By way of explaining this differential it should be noted that wages and salaries, by far the largest component of governmental costs, have risen steadily since the war from a relatively low level to a level more comparable with private industry. Inflation, which usually results during periods of increased and high economic activity, has revenue producing effects as well so that it is not entirely an unfavourable factor in municipal finance.

#### Cost of Services Beyond Municipal Control

Besides the upward pressure of population growth and inflation, municipal councils have had to levy taxes to meet certain expenditures over which they have little or no control, or are on account of past decisions. Current expenditures each year include predetermined charges for the retirement of debt, school, library, and some board or commission levies, over which councils have little control. In other instances, councils may be involved in shared-cost programs which commit them to certain expenditures. An indication of the effects on costs of a few major services can be seen in Table 7, which traces the growth in local costs of schools, public works, protection, social services and administration, by class of municipality since 1951. The increase in local school costs per capita is particularly evident from these statistics, ranging from 72 per cent in rurals to 237 per cent in suburbans and cities. The gradual assumption of social service costs by the Province is also reflected. All municipalities appear to be experiencing increased costs in respect of public works, protection and administration.



Table 7. - Trends in Municipal Actual and Per Capita Expenditures for Sample Municipalities 1951 and 1962

Expenditure	Rural Municipalities		Villages		Towns	
	Actual	Per Capita	Actual	Per Capita	Actual	Per Capita
	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
	%	%	%	%	%	%
Schools	55	72	141	107	152	84
Public Works	57	70	166	129	184	107
Protection	144	166	210	167	220	134
Social Services	(19)	(12)	(8)	(21)	39	2
Administration	43	56	68	45	161	91

Expenditure	Suburbans and Cities		Winnipeg	
	Actual	Per Capita	Actual	Per Capita
	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
	%	%	%	%
Schools	463	237	139	112
Public Works	108	25	41	26
Protection	301	141	99	77
Social Services	18	(29)	(24)	(33)
Administration	126	35	47	30

Source: Selected Municipal Financial Statements, 1951, 1962.

#### Cost of Services Under Municipal Control

After councils meet the expenditures over which they have no statutory or effective control, they must decide how far they can go in improving or introducing other services without pressing the property tax beyond reasonable limits. The growth in public works, protection and administration costs shown in Table 7 illustrates that councils have had to provide for the demands of the general public in respect of local services. It is obvious that they would be in a far better position to meet their local responsibilities if they were not called upon to finance the general services of health, welfare and education.

#### Municipal Tax Base

Any discussion of municipal finance would be incomplete if expenditures were not related to the tax base from which municipal government draws the majority of its revenues. Theoretically, if the growth in the tax base equals the growth in expenditure and other revenues remain constant, rates of taxation would remain stable. The following table sets out the growth in the municipal tax base since 1951. In our review of revenue trends we examined increases in tax impositions which include, as well as real property taxes, personal property and business taxes. Hence, we must consider the total taxable assessment which includes personal property and business assessment as the appropriate tax base.

Table 8. - Trends in Total Taxable Assessments 1951 and 1962

Class of Municipality	Total Taxable Assessment		Percentage Increase
	1951	1962	
	\$	\$	%
Rural Municipalities	207,121,823	303,194,232	46.4
Villages	10,517,742	19,336,210	83.8
Towns	35,656,048	93,096,775	161.1
Suburbans and Cities (excluding Winnipeg)	74,138,186	347,244,895	368.4
City of Winnipeg	293,117,450	521,311,504	77.9
Total	620,551,249	1,284,183,616	106.9

Source: Statistical Information, Department of Municipal Affairs.

Comparison of the increase in taxable assessments with increases in tax impositions, described in Table 2, reveals that in every category, excepting suburbans and cities, the growth in the tax base has not kept pace with increases in expenditures. The obvious result of this divergence in the growth rates is a constant upward climb in the tax rates. Before departing from this point an important factor must be noted. No reliable data are available to apportion exactly the increased taxable assessments between new construction and additions to property, and increases in the level of assessment, that is, the relationship of assessed to actual value. Reassessments have been frequent throughout the period of review, particularly in the major urban areas, and the primary purpose of this is to bring assessed values up to date with current values. Hence, there is an inevitable tendency to raise the level of assessment, although to what extent we cannot determine. Had the level of assessment in the province remained relatively stable, the growth in the tax base would not appear so high, and tax rates would have increased to a significantly higher level. Hence, it must be remembered that comparisons of the growths as they are presented, will tend to understate the actual increase in the real burden of taxation.

### Conclusions

Municipal government has had to rely heavily on the real property tax as its major source of revenue, notwithstanding the increases in provincial grants and subsidies. This is reflected in the substantial increases in the tax impositions. Increases in revenue from these sources have been required by municipal government so that they could meet expenditures which have been rising on account of population growth and distribution, inflation, and the introduction or improvement of services. Public school education costs have accounted for much of the increase in local expenditures. There are different priorities given to certain services in terms of per capita expenditures, depending on the locality and the nature of its requirements. These differences insofar as they relate to purely local services are likely to continue in the future. Municipal tax resources as measured by taxable assessments have been increasing, although at a lesser rate than expenditures. Consequently, tax rates have increased.

## PART B - MUNICIPAL DEBT

### Recommendation 52

CONTROL OF LOCAL GOVERNMENT BORROWING SHOULD BE CENTRED IN THE MUNICIPAL BOARD AND RATEPAYER APPROVAL OF BORROWING BY-LAWS SHOULD ONLY BE REQUIRED WHEN ORDERED BY THE MUNICIPAL BOARD AS RECOMMENDED IN CHAPTER IX, PART B. THE EXCEPTIONS TO THE STATUTORY CONTROLS IN THE WINTER EMPLOYMENT ACT SHOULD BE REMOVED.

WE DO NOT FIND THE LEVEL OF EXISTING DEBT TO BE UNDULY BURDEN-SOME, NOR DO WE FIND EVIDENCE THAT LOCAL GOVERNMENTS IN MANITOBA NEED ADDITIONAL ASSISTANCE AT PRESENT FROM EITHER PROVINCIAL OR FEDERAL GOVERNMENTS IN THE MARKETING OF THEIR DEBENTURES.

#### Statutory Control of Borrowing

Statutory control of municipal<sup>1</sup> debt in Manitoba is not uniform, but perhaps this is understandable when one considers the difference in credit ratings. Larger municipalities come to the bond market frequently enough to establish a credit rating, while this is much more difficult for the small town, village, or rural municipality that only borrows in the bond market occasionally.

Under the provisions of The Municipal Act, ratepayer approval is required for all debenture by-laws with few exceptions, the main one probably being local improvements. The approval of the Municipal Board is also required for all debenture by-laws. Section 528 of The Municipal Act limits debenture debt and deferred liabilities to 25 per cent in the case of a city, town, village or suburban municipality, and 20 per cent in the case of a rural municipality, of the total amount of taxable municipal assessment. In this computation of the debt, school district debt is not included, nor is debenture debt incurred for local improvements to the extent that the local improvements are secured by special assessment, nor is debenture debt of municipal public utilities to the extent that this debt is secured by special assessment or utility rates. Funds held in sinking fund are also subtracted when calculating debenture debt. It should be noted, though, that the Act does empower the Municipal Board to authorize an increase over and above the aforementioned limitations.

Under the provisions of The Public Schools Act, debenture by-laws for the construction of schools require the approval of the electors and the Municipal Board, although in the Winnipeg School Division, approval of the ratepayers and the Municipal Board is required.

There are different provisions in cities having their own charters. For instance, in Winnipeg, the City requires ratepayer approval of debenture by-laws except for certain purposes such as utilities, local improvements and a number of other purposes, but it does not require the approval of the Municipal Board. The Metropolitan Corporation of Greater Winnipeg, operating under a separate act of the Legislature, does not require ratepayer approval for debenture by-laws and need only obtain the approval of the Municipal Board. Also, there is no statutory limit in relation to assessment in the City of Winnipeg or The Metropolitan Corporation of Greater Winnipeg.

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<sup>1</sup>Unless otherwise stated, the term 'municipal' includes school divisions, school districts and hospital districts, as well as municipal government per se.

Under the provisions of The Winter Employment Act (S. M., 1958, 2nd Sess., c. 11), the normal statutory controls may be avoided. Under this Act, a municipal council may, by a favourable vote of three quarters of all the members thereof, request the Minister of Municipal Affairs to exempt the municipality from the obligations of obtaining ratepayer approval of a debenture by-law to borrow money for any of the purposes named in the Act. The Minister of Municipal Affairs may, with the approval of the Treasury Board, grant such an exemption. In addition, the Act provides that the approval of the Municipal Board is not required, nor does any debt issued under the provisions of this Act need to be included in the computation of the amount of debt for the purposes of the maximum controls of 25 and 20 per cent of assessment previously referred to.

We understand that very little debt has been incurred under this Act, but if it were incurred in this manner, it could make the statutory controls meaningless. The recent Municipal Works Assistance Act does not include such provisions and we recommend that these provisions be removed from The Winter Employment Act.

While statutory controls have been adequate, we recommend that control of debt should be centred in the Municipal Board and that ratepayer approval of borrowing by-laws be required only if the Municipal Board so orders. The debenture debt of the Winnipeg Metropolitan area, while still within manageable proportions, has greatly increased in recent years, and yet statutory requirements of The Metropolitan Corporation of Greater Winnipeg, the City of Winnipeg, the area municipalities, and the school boards vary considerably as previously pointed out. For these and other reasons, we have recommended in Chapter IX, Part B that all borrowing by-laws be approved by the Municipal Board.

#### Assistance from Senior Governments

There is legislative provision for a provincial guarantee of interest on debentures for waterworks and sewerage systems (The Sewage Disposal and Water Supply Systems Debenture Interest Guarantee Act). No guarantees have been approved since 1960. There is also legislative provision (The School Districts Debenture Interest Guarantee Act) for guaranteeing the interest on school district debentures. Here again no guarantees have been authorized for some time.

What has been used to assist schools (divisions and districts) to sell their debentures is a trusteeship agreement between the division or district and the Provincial Government. Under this agreement, the Province withholds for the creditor educational grants sufficient to pay the debt charges on the particular debt. Recently, hospital district debentures qualified for a similar trusteeship agreement, the agreement being between the hospital district and the Manitoba Hospital Commission.

In addition to assistance from the Provincial Government, the Federal Government entered the municipal loan field in the fifties when The Central Mortgage and Housing Corporation began making loans for sewage treatment and urban redevelopment projects.



Recently, the Federal Government established a Municipal Development and Loan Fund. The primary purpose of this Fund, from the Federal Government's viewpoint, is to increase employment. In fact, projects done under the Fund must be projects which would not otherwise be undertaken currently. Nevertheless, the Fund does enable municipalities to obtain money away from the open market and more cheaply than they otherwise could.

Approximately \$20 million has been allocated to Manitoba from the Fund. In order to obtain a loan, municipalities must submit their proposed projects to the Manitoba Department of Municipal Affairs for approval prior to submission to Ottawa for final approval. The assistance offered by the Federal Government is the loan of two-thirds of the net cost of a project (less any other grants the municipality may be entitled to) at a rate of interest slightly above the Federal Government's borrowing rate. In addition, there is provision for forgiveness of 25 per cent of the loan for that portion of the project completed as of March 31, 1966.

Notwithstanding the assistance provided by senior governments to municipalities in the marketing of debentures, there has been some demand for a provincial fund to assist municipalities to borrow, as is provided in Alberta through The Alberta Municipal Finance Corporation. In this connection the Municipal Enquiry Commission Report recommended as follows, "The Province and the municipalities should jointly create an incorporated co-operative non-profit financial organization, under independent management, from which the municipalities could borrow money, at reasonable rates of interest, to finance municipal capital projects".<sup>2</sup> However, the joint meeting of the Manitoba Urban Association and the Union of Manitoba Municipalities, called to consider this Report, rejected the recommendation.

Before coming to conclusions as to the necessity of further assistance for municipal borrowing, an examination was made of changes in the net debt of municipalities in Manitoba between the years 1951 and 1962, and the changes in the municipal debt of Manitoba and all of Canada between 1956 and 1961 was compared. The problem of the cost of municipal borrowing was also considered.

#### Present Position of Municipal Debt

##### Historical Comparison

The total municipal debt in the province in the period 1951 to 1962 increased four-fold from \$34.4 million to \$137.6 million, as shown in Table 9.

The per capita percentage increase in the same period was slightly smaller, rising by 286.5 per cent from \$44.36 to \$149.28. In terms of \$1,000 of actual assessment, the increase was not nearly as substantial, but there was an increase of 93.4 per cent from \$58.52 to \$113.15.

If schools are excluded, a less dramatic if still substantial increase is shown. Taking the same period, there is an over-all increase in municipal debt of 231.2 per cent from \$21.9 million to \$72.6 million. Here, too, the picture is modified on a per capita basis, but even more substantially than with the over-all debt figures. The increase is 178.6 per cent from \$30.78 to \$85.75. The increase is further modified when examined on the basis of \$1,000 of actual

<sup>2</sup> Report of the Municipal Enquiry Commission in Manitoba. Winnipeg, Queen's Printer, 1963. p. 37.

assessment. The 1962 figure is \$59.71 versus the 1951 figure of \$37.25, a rise of 60.3 per cent.

Table 9. - Net Municipal Debt in Manitoba 1951 and 1962

Class of Municipality	Municipal Debt		Debt per Capita		Debt per \$1,000 of Actual Assessment	
					1951	1962
	1951	1962	1951	1962	1951	1962
	\$'000	\$'000	\$	\$	\$	\$
Rural Municipalities	2,453	3,011	9.85	12.85	12.05	10.17
Villages	152	1,772	8.35	83.86	16.09	96.34
Towns	2,303	13,017	34.94	154.13	68.62	147.71
Suburbans and Cities (excluding Winnipeg)	7,805	28,256	54.32	117.05	111.07	85.77
City of Winnipeg <sup>1</sup>	9,213	24,172	39.09	91.07	33.89	49.94
The Metropolitan Corporation of Greater Winnipeg	-	2,380	-	4.96	-	3.07
Subtotal	21,926	72,608	30.78	85.75	37.25	59.71
Schools	12,521	64,982	16.12	70.50	21.27	53.44
Total	34,447	137,590	44.36	149.28	58.52	113.15

<sup>1</sup> Winnipeg's municipal debt excludes school and utility debt and general sinking fund but includes floating debt for general purposes.

Source: Dominion Bureau of Statistics Census, 1951 and 1961.  
Statistical Information, Department of Municipal Affairs.  
Department of Education.

The subtotals in Table 9 are based on the population of all organized municipalities in the province or nearly 92 per cent of the total population. School and total figures are based on the total provincial population. In all instances the per capita figures are derived from the 1951 and 1961 census figures respectively, that is, 1951 debt on 1951 population and 1962 debt on 1961 population. The assessment figures are for 1951 and 1962.

Since hospital debenture debt, for which the municipalities are responsible, is represented by deferred liabilities on the books of the municipalities within hospital districts, the deferred liabilities are included in our debt statistics.

Turning to the individual groupings, the situation is as follows. The debt of rural municipalities only increased from \$2.5 million in 1951 to \$3.0 million in 1962, an increase of 22.7 per cent, and from \$9.85 per capita to \$12.85 per capita, an increase of 30.5 per cent. However, the debt per \$1,000 of assessment actually declined by 15.6 per cent from \$12.05 to \$10.17. The total increase in debt resulted largely from the construction of hospitals, nursing units and senior citizens' homes.

Village debt was practically negligible in 1951 (\$152,000), but was \$1.8 million at the end of 1962. The per capita debt increased from \$8.35 in 1951 to \$83.86 in 1962, while the debt per \$1,000 of assessment increased from \$16.09 to \$96.34. Most of the increase was the result of construction of water and sewerage systems.

The debt of towns rose from \$2.3 million in 1951 to \$13.0 million in 1962, and from \$34.94 per capita to \$154.13 per capita. The debt per \$1,000 of assessment rose from \$68.62 to \$147.71. As in villages, the increase was nearly all the result of construction of water and sewerage systems.

City and suburban (exclusive of Winnipeg) debt rose from \$7.8 million in 1951 to \$28.3 million in 1962, an increase of 262.0 per cent, and from \$54.32 per capita to \$117.05 per capita. However, the debt per \$1,000 of assessment decreased from \$111.07 to \$85.77, a decline of 22.8 per cent. The increase in total debt was the result of the construction and extension of water and sewerage systems and substantial local improvements to service new developments.

Winnipeg's net taxable debt (gross less sinking fund) less the net debt of the utilities and schools rose from \$9.2 million in 1951 to \$24.2 million in 1962, an increase of 162.4 per cent, and the per capita debt from \$39.09 to \$91.07, an increase of 133.0 per cent. The debt per \$1,000 of assessment rose from \$33.89 to \$49.94, or 47.4 per cent. This increase in debt was for a variety of purposes including local improvements, incinerator extensions, pavement widenings, and flood control.

The rapid increase in school construction, especially marked since 1959 when the school division plan was introduced, has been the main reason school debenture debt has increased from \$12.5 million in 1951 to \$65 million in 1962, an increase of 419.0 per cent, and per capita debt has increased from \$16.12 to \$70.50. The debt per \$1,000 of assessment has risen from \$21.27 to \$53.44. Even Winnipeg's net school debt, which was not affected by the division plan, rose from \$5.3 million in 1951 to \$14.5 million in 1962. Undoubtedly, a substantial increase in school population was a most important factor in this increase.

This substantial increase in school debt is not entirely a burden on the local taxpayers. When the larger school division plan was introduced, the Province also introduced a new and more generous formula for capital grants. Under this formula the Province pays approximately 60 per cent of annual school debt charges, which in 1963 was roughly \$4.0 million of total annual school debt charges of \$6.8 million.

Although in Manitoba there have been substantial increases in net debenture debt between 1951 and 1962, it must be remembered that in 1951 debenture debt was at its lowest point following the Great Depression and the Second World War, when little or no debt was incurred. For example, the total net debt was \$37.0 million in 1929, \$19.4 million in 1951 and \$137.6 million in 1962. In terms of debt per \$1,000 of assessment, there was a decrease from \$68.40 in 1929 to \$58.52 in 1951, followed by an increase to \$113.15 in 1962. Such an increase in the post-war period of expansion is not alarming.

Table 10. - Municipal Debenture Debt for Manitoba and Canada 1956 and 1961

	1956				1961				Percentage Increase	
	Manitoba	Per Cent of Total Manitoba Debt	Canada	Per Cent of Total National Debt	Manitoba	Per Cent of Total Manitoba Debt	Canada	Per Cent of Total National Debt	Manitoba	Canada
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	%	%
Analysis of Purpose of Municipal Debenture Debt:										
General Drainage and Local Improvements	33,361	31.3	1,079,699	40.8	55,164	30.5	1,997,479	42.2	65.4	85.0
Schools	25,591	24.0	803,471	30.4	62,294	34.5	1,517,094	32.0	143.4	88.8
Utilities and Other										
Municipal Enterprises	47,692	44.7	729,944	27.6	63,291	35.0	1,130,191	23.9	32.7	54.8
Miscellaneous	-	-	31,604	1.2	-	-	88,592	1.9	-	180.3
Total	106,644	100.0	2,644,718	100.0	180,749	100.0	4,733,356	100.0	69.5	79.0
Municipal Debenture Debt Per Capita	\$125.46		\$164.78		\$196.10		\$259.52		56.3	57.5

Source: Dominion Bureau of Statistics, Financial Statistics of Municipal Governments, 68-204, 1956 and 1961.  
 Dominion Bureau of Statistics Census, 1956 and 1961.



### National Comparison

Turning from an historical comparison of municipal debt in Manitoba to a national comparison and using Dominion Bureau of Statistics figures, we find that in the period 1956 to 1961, Manitoba municipal debenture debt increased from \$106.6 million to \$180.7 million, an increase of 69.5 per cent as shown in Table 10. The largest part of this increase was attributable to school debt which increased nearly two and a half times. Thus in 1961, school debt in Manitoba was above the Canadian average whereas it had been substantially below the national average in 1956. At the same time, the municipal debenture debt for all Canada increased 79.0 per cent from \$2.6 billion to \$4.7 billion. Although debenture debt in Manitoba increased, it did not increase as fast as the national average.

The rise in Manitoba's per capita municipal debt was much closer to the national average. In 1956, Manitoba's municipal per capita debt was \$125.46 versus \$196.10 in 1961, an increase of 56.3 per cent. Canada's per capita municipal debt rose 57.5 per cent in the same period from \$164.78 to \$259.52. It can be seen easily from these figures that Manitoba's municipal debt has been well below the national average and has not been rising as rapidly as in the rest of Canada.

### Cost of Borrowing

Turning from a comparison of the debt of Manitoba municipalities in historical and national terms to the problem of the cost of that debt, it has already been noted that the Municipal Enquiry Commission in Manitoba recommended that a provincial-municipal loan fund be set up in order to reduce the borrowing costs to municipalities, and that this recommendation was rejected at the meeting of the two municipal associations in April 1963. Of all the submissions made to your Commission, only a few touched on the subject of a municipal loan fund and they were divided.

There is no doubt that such a fund would allow most municipalities in the province to borrow somewhat more cheaply. However, this advantage is outweighed by certain disadvantages to such a fund. It would allow all municipalities, no matter what their record in the past, to borrow at the same rate of interest and could seriously reduce the incentive to municipal thrift and prudence. It would also allow municipalities to obtain funds for capital projects more easily but would remove the restraint of the market place which is a salutary restraint on over-borrowing.

If our recommendations for transfer of financial responsibility are carried out, they should have the effect of strengthening the independence and borrowing capacity of municipalities. One of the main themes of this Report has been to make the municipalities as independent of the Province as possible. The borrowing position of municipalities indicates generally that the open market is providing a source of funds at a comparatively reasonable rate of interest. For this and other reasons cited above, your Commission has come to the conclusion that there is no need at the present time or in the immediate future to establish a government-sponsored loaning agency.

## Hospitals

Municipalities or parts of municipalities which choose to enter into a hospital district are responsible for 20 per cent of the construction costs of new hospitals or additions to hospitals. Where debentures are issued, the hospital district pays the debt charges but the municipalities' share is recovered by a levy on the ratepayers. This is carried on the municipal books as a deferred liability.

Your Commission has recommended that the municipalities be relieved of any responsibility for future capital costs. The reasons for this recommendation have been outlined in detail in Chapter III. It is sufficient to note here that the reason is not that municipal debt is so burdensome but rather because it is not considered to be a legitimate charge on real property taxpayers.

## Conclusions

After examining the statutory controls of municipal borrowings, the assistance from senior government to municipal governments for borrowing, and the present position of municipal debt, your Commission has come to the following conclusions. Statutory control of municipal borrowing has been adequate. However, it is recommended for the reasons set out in Chapter IX, Part B that control of local government debt should be centred in the Municipal Board. There should be consistency in municipal debt policy and to this end the exceptions to the statutory controls in The Winter Employment Act should be removed. The level of existing debt is not unduly burdensome nor is there evidence that municipalities in Manitoba need additional assistance at present from either Provincial or Federal Governments in the marketing of their debentures.

## PART C - FINANCIAL EFFECTS OF RECOMMENDATIONS

### Introduction

Your Commission has now stated all of its recommendations that are likely to have a major bearing on the financial status of municipalities. Briefly, these concerned the precise division of responsibilities and their costs as between the Province and municipal government; the establishment of regions throughout the province for the administration of certain services; a redivision of the costs of public school education; modifications in the municipal tax structure, including the removal of certain tax exemptions; increased Provincial Government grants in lieu of taxes and the elimination of unconditional grants. With the exception of certain recommendations which are to follow concerning the financial relationship of the Provincial and Metropolitan Governments, the revisions in the statutes governing municipalities and other related matters, all of which will have little, if any, financial consequences for municipalities, we are now in a position to consider the local financial effects of what has been proposed.

It is possible to generalize about these effects in very broad terms at least, but the problem becomes extremely difficult, almost impossible, when applied to individual municipalities. We proceed first with the changes which have broad application to all municipal government, then to estimates of changes for groups or classes of municipalities and finally, to a few selected sample municipalities.

### Nature of Benefits

In discussing the financial benefits that would result from the implementation of recommendations in this Report, it is necessary first to distinguish between what might be conveniently defined as tangible or measurable benefits and intangible benefits which are difficult to evaluate. In the latter case it is proper to include the effects or benefits that are possible through the provision of a regional structure, and the enlargement of existing municipal units. Rural municipal organization outside the metropolitan area is substantially the same as it was 75 years ago, despite the drastic difference in environment, and there is every reason to believe that municipalities will function better on the changed basis. The establishment of coterminous boundaries, if it does not conflict with other considerations such as service centres, road systems, populations and geographic features, will allow for administrative efficiencies, and thus make possible certain savings. Although such benefits may be intangible, they are nonetheless real and in the long run they should yield as positive benefits for local government as the transfer of certain services to the Province.

### Factors of Adjustment

In marked contrast, some of our proposals will have immediate and measurable effects on local finance. Generally, local expenditures will decrease as a result of the redivision of education and public works costs and the elimination of local health and welfare services and future hospital construction costs. On the other hand, local revenues will increase to the extent that the Province increases its grants in lieu of taxes on provincial Crown departmental property.

Offsetting these favourable factors, municipalities will be adversely affected to the extent that local expenditures will increase upon the assumption by the municipalities of the full cost of town planning and assessment services.

They will further suffer a decrease in revenues as a result of the elimination of unconditional grants. The net result if these recommendations had been in effect in 1962 is estimated to be \$11.2 million in favour of municipal taxpayers.

In addition to these changes that materially affect the revenues and expenditures of municipal government, there will be a general strengthening of the local tax base and correspondingly an enlargement in the capacity of municipalities to raise additional revenues, depending on the extent that the real property tax base broadens as a result of the removal of tax exemptions on certain property, and that business tax revenues adjust concurrently with adjustments in the real property levy.

Local mill rates should decline immediately as a result of the decrease in local expenditures, and should decline in the future when the tax base widens as a result of the elimination of the two major forms of property tax exemptions: the one-third exemption of the assessed value of non-farm buildings and the full exemption of the assessed value of farm buildings.

### The Basis of the Estimates

Estimates of changes in the financial positions of municipalities which are set forth and discussed in following pages are based on an examination of the expenditures, revenues and tax resources of 28 municipalities in the province.

While 28 municipalities out of the 196 in the province would appear to be small in number to constitute a reliable sample for estimating changes for all municipalities, the coverage in terms of population and assessment is extensive. The population of the organized territory of the province in 1961 was 846,739, of which 382,184 or 45 per cent is included in the sample municipalities. The amount of real property assessment covered by the sample is even more extensive; \$670 million of \$1,265 million in equalized assessment of all municipal government in the province, or 53 per cent, is included in the coverage.

The numerous assumptions and procedural matters involved in deriving the estimates, which necessarily qualify the results, must be stated and borne in mind when reading the estimates. The recommendations in this Report, where it was possible to do so, were applied to municipal government for the year 1962 because this is the last year for which complete financial data are provided. There will have been changes in tax rates, assessments, populations and numerous other factors that are involved in municipal finance by the time of this Report's implementation, which means that the actual results will differ from our estimates.

Basically, the estimates have been derived from two sources: the finances of 15 selected school divisions and the finances of the 28 mentioned municipalities. Beginning with 1962 actual costs reported for school divisions and municipalities respectively by the Departments of Education and Municipal Affairs, we assumed the adoption of our proposals and measured the comparative effects on expenditure levels and tax rates before and after. A new division of actual 1962 school costs between the Province and the municipalities was calculated on the basis of the foundation program proposed in Chapter V, Part B, and a 13 mill general levy on the 1962 balanced assessment of the divisions. The estimated municipal share of school costs over the whole division was allocated among



municipalities lying wholly within the division on the basis of the proportions of the total balanced assessment in the division represented by the included municipalities' balanced assessments. The 28 municipalities studied lie approximately 90 to 100 per cent within the sample divisions. In those few cases where a portion lies beyond the division boundary, benefits from the redivision of education costs were assumed to extend to this portion of the municipality on a pro rata basis, determined by the municipality's assessment lying within and without the division. Such estimated local costs for public school education were then compared with 1962 actual costs.

The reduction in total expenditures for public works amounting to just over one million dollars is not considered in our estimates for groups or single municipalities. There was no proper basis for distributing this benefit as the relative municipal shares will depend entirely on the proportion of local and provincial roads in various individual municipalities. This reduction is a net amount after deducting approximately \$50,000 additional municipal expenditures for local drainage from the reduction in municipal expenditures for road construction and maintenance. It may not have application to the metropolitan area and, if not, nearly 180 municipalities would be involved in the distribution of the reduction. With so many municipalities involved it is certain that a number will not benefit from this recommended division of costs.

Insofar as costs of health and welfare are concerned, expenditures for these purposes as they appeared in the municipal statistics publication were simply eliminated. Errors in this component of the estimates would result only to the extent that costs in respect of sanitation and inspectional services, which we have recommended remain as local responsibilities, may be included in the amounts eliminated.

No estimates on an individual basis were attempted for assessment and town planning cost increases but these are certain to have only incidental effects on local finance. Increases in grants in lieu of taxes are calculated as they may apply to particular municipalities. Finally, in computing the estimated rate of taxation required by municipalities, after all adjustments in revenue and expenditure have been made, personal property assessments have been added in the appropriate cases to the actual and equalized assessments of the municipalities. The mill rates were then struck by dividing these bases into the real property tax requirements.

#### Overall Financial Effects for Municipal Government

Table 11 provides a budget summary for all of municipal government in Manitoba in 1962, showing both actual net municipal expenditures and estimated expenditures, the latter being adjusted to take into account recommendations that will have major effects on municipal expenditures. Other estimated revenues are deducted from the actual expenditures. Unconditional grants are added to the estimated total expenditures as an additional expense, since their elimination is recommended; and the increase in grants in lieu of taxes on provincial Crown departmental property and other estimated revenues are deducted. The final amounts in both columns show the comparative estimated real property taxes required to be levied by municipal government before and after the recommendations come into effect.

Table 11. - Financial Effects of Major Recommendations  
for Municipal Government 1962

	1962 Total Net Expenditures <sup>1</sup>	1962 Adjusted Expenditures
	\$	\$
Schools	36,395,388	26,574,097
Public Works	10,978,590	10,008,250
Social Services	2,543,860	-
Administration	5,171,857	5,449,511
Subtotal	55,089,695	42,031,858
All others	37,805,779	37,805,779
Total Expenditures	92,895,474	79,837,637
+ Unconditional grant	-	2,540,217
- Other revenues	22,812,821	22,109,063 <sup>2</sup>
- Increase in grants in lieu of taxes	-	665,584
Expenditures to be met by levy on real property	70,082,653	59,603,207

<sup>1</sup> Provincial conditional grants are deducted from the corresponding expenditure.

<sup>2</sup> Personal property tax revenues have been transferred to revenues from realty assessment.

A complete budget statement for municipal government in total, as is summarized here, and statements for classes of municipalities and individual municipalities, considered later, are contained in Appendix I, Schedule 8.

Table 11 shows that, considered collectively, municipalities in 1962 would have benefited by an estimated \$13.1 million in expenditure decreases, and offsetting this, would have experienced a net decline in revenues of \$1.9 million resulting largely from the removal of provincial unconditional grants. These are the net effects of the redivision of service responsibilities and costs on the one hand, and the concurrent increase in grants in lieu of taxes on provincial Crown property and elimination of unconditional grants on the other. When other municipal revenues are credited against this adjusted level of expenditures, there remains a balance of \$59.6 million which would have to be raised by a levy on real property, compared to the estimated realty taxes levied in 1962 of \$70.1 million. The indicated saving for real property taxpayers therefore is \$10.5 million, although the real saving is an estimated \$11.2 million, the latter being the amount of reduction in expenditure less the net decline in revenues. The reason for this discrepancy is the amount of \$700,000 in estimated personal property taxes which has been taken from other revenues and transferred as a part of the real property levy. This was done in accordance with the recommendation that the remaining personal property in the province be assessed and taxed as real property. The adjusted amounts are translated into comparative rates of taxation in Table 12.

Table 12. - Estimated Rates of Taxation for Municipal Government before and after the Recommendations are Adopted 1962

	1962 Estimated (Prior to Recommendations)	1962 Estimated (After Recommendations)
	\$	\$
Expenditures to be met by levy on real property	70,082,653	59,603,207
Equalized Assessment	1,264,513,000	1,276,638,135 <sup>1</sup>
Actual Assessment	1,216,000,355	1,227,442,460 <sup>1</sup>
Mill rates on Equalized Assessment	55.4 mills	46.7 mills
Mill rates on Actual Assessment	57.6 mills	48.6 mills

<sup>1</sup> These assessment amounts do not take into account recommendations for the removal of exemptions.

The adjustments in the assessment bases, shown in the table, are on account of the transfer of personal property assessment still to be assessed as real property. It is estimated that the recommendations would have succeeded, in 1962, in reducing the rates of taxation on equalized and actual assessments respectively from 55.4 and 57.7 mills to 46.7 and 48.6 mills, representing approximately a 9 mill decrease. According to estimates by assessment officials, there is an average relationship of approximately 40 to 45 per cent between the level of assessed value and capital value of property which, when applied to the above rates, produces as an average, a real property tax burden of approximately 2 per cent. This is in accord with our view of a tolerable level of property taxation which we have discussed fully in Parts A and B of Chapter VI.

#### Distribution of Net Benefits among Municipalities

It is useful to be able to estimate such effects for municipal government in total but this does not indicate how individual municipalities will be affected. Numerous assumptions, which have been described, were employed in the distribution of the total benefit among the classes of municipalities and the selected sample municipalities which are now considered. Expenditures, real property taxes, and rates of taxation before and after the adjustments are compared in Table 13 for categories of municipalities. It is evident that all categories experience a decrease in taxation, although, as reflected in the mill rate changes, this benefit varies from one category to another. The range of variation in the estimates extends from a 6.1 mill decrease for rural municipalities to a 11.9 mill decrease for villages. Other categories range between these two extremes.

Table 14 carries the analysis one step further and shows in summary form the final estimated results measured in terms of mill rate equivalents on equalized assessment for the 28 sample municipalities. Full budget statements for these municipalities are contained in Schedule 8 of Appendix I. In making these calculations, adjustments were made for the surplus and deficit positions of the

Table 13. - Estimated Financial Effects of Recommendations for Classes of Municipality 1962

Expenditures <sup>1</sup>	Rural Municipalities		Villages		Towns		Suburbans and Cities <sup>2</sup>		Winnipeg	
	B <sup>3</sup> \$	A <sup>4</sup> \$	B \$	A \$	B \$	A \$	B \$	A \$	B \$	A \$
Schools	8,530,102	6,315,605	629,696	371,838	2,615,102	1,763,453	10,620,438	7,603,869	14,000,050	10,496,039
Public Works	5,525,775	5,525,775	222,357	222,357	1,105,354	1,105,354	2,531,029	2,531,029	1,594,075	1,594,075
Social Services	506,499	-	38,931	-	188,355	-	516,701	-	1,293,374	-
Administration	1,659,861	1,785,997	171,534	192,271	693,629	779,649	1,270,154	1,270,154	1,376,679	1,376,679
Subtotal	16,222,237	13,627,377	1,062,518	786,466	4,602,440	3,648,456	14,938,322	11,405,052	18,264,178	13,466,793
All Others	3,109,013	3,109,013	335,595	335,595	2,614,706	2,614,706	10,941,651	10,941,651	20,804,814	20,804,814
Total Expenditures	19,331,250	16,736,390	1,398,113	1,122,061	7,217,146	6,263,162	25,879,973	22,346,703	39,068,992	34,271,607
Add Unconditional Grant	-	702,966	-	63,393	-	253,359	-	724,212	-	796,287
Deduct Other Revenues	1,513,317	1,206,694	191,294	188,618	1,202,082	1,117,547	4,424,524	4,114,600	15,481,604	15,481,604
Deduct Increase in Grants in Lieu of Taxes	-	4,641	-	840	-	88,733	-	220,618	-	350,752
Estimated Net Expenditure to be Financed by Levy on Real Property	17,817,933	16,228,021	1,206,819	995,996	6,015,064	5,310,241	21,455,449	18,735,697	23,587,388	19,235,538
Mill Rate on Equalized Assessment	58.6	52.5	66.9	55.0	67.7	58.9	58.8	50.5	48.2	39.3
Mill Rate on Actual Assessment	60.1	53.9	65.6	53.9	68.3	59.4	65.1	56.0	48.7	39.7

<sup>1</sup> Provincial conditional grants are deducted from corresponding expenditures.

<sup>2</sup> Excluding City of Winnipeg.

<sup>3</sup> Prior to adjustments for recommendations.

<sup>4</sup> After adjustments for recommendations.



municipalities at the end of 1962. This was done in order to measure the actual expenditures that had to be met by real property levies. Hence, the levies are not actual but derived. Correspondingly, the mill rates are not actual but derived as well.

### Analysis of Results

The results of implementing the recommendations as reflected in the foregoing mill rate changes are wide-ranging as might be expected. There are a number of obvious reasons for this.

The recommendations are to be applied uniformly across the province without respect to the peculiarities of single municipalities. Hence, a municipality that had relatively high social service costs would benefit more than other municipalities if the Province assumed full costs of these services. Similarly, benefits from full taxation of provincial Crown departmental property are bound to differ among municipalities depending on the relative amounts of such property in the municipalities.

The level of expenditures for the services which we consider to be local in nature will differ in varying degree among municipalities. In urban areas, for example, per capita expenditures are high with respect to protection of persons and property. On the other hand, per capita expenditures for public works projects are high in rural areas. Inevitably, there will be differences in the level of expenditures in the different jurisdictions in accordance with the demands of the electorate for various services. Moreover, costs of providing even the same type and standard of service may vary in different areas because of regional differences in the costs of wages and materials, and varying scales of operation.

The taxable capacities of municipalities vary substantially from one municipality to another. In dynamic and growing areas where there is likely to be continuous construction and a strong demand for land, improved or otherwise, the tax base of municipalities expands and assessment per capita amounts increase. For these and other reasons, municipalities have varying taxable capacities.

Of the 28 selected municipalities included in the sample, the Rural Municipality of Springfield is the only municipality that experiences an increase in expenditure and a rise in the rate of taxation. The reason for this distinction is to be found in the nature of the school division in which almost all of this municipality lies. Transcona-Springfield, the school division in question, is composed of the City of Transcona and the Rural Municipality of Springfield. Small portions of other rural municipalities lie within the division as well. Costs beyond the foundation program in respect of elementary schools, which are quite high in the City and which are now being met by a special levy in Transcona, would be spread uniformly over the whole of the division by our proposal. Thus, Springfield suffers a substantial increase in school expenditures that is not compensated for by other recommendations taken into account in the estimates.

Three other municipalities in the sample, Coldwell, Eriksdale and Siglunes, appear to enjoy considerable reductions in expenditures and mill rates but even the adjusted rates remain in excess of one hundred mills. These municipalities lie in Lakeshore School Division which receives provincial aid in ex-

cess of 80 per cent for elementary and secondary school costs. These municipalities are financially depressed areas in the province where, despite the fact that per capita municipal expenditures are on the average only 50 per cent of expenditures made by other municipal governments, assessments are generally so low as to require extremely high rates.

Table 14. - Mill Rate Changes for 28 Selected Municipalities Consequent Upon the Application in 1962 of Major Recommendations

Municipality	Estimated Effective <sup>1</sup> Mill Rate on Equal- ized Assessment of Real Property before Adjustment	Estimated Effective Mill Rate on Equal- ized Assessment of Real Property after Adjustment
<u>Rural Municipalities</u>		
St. Andrews	50.5	44.5
Old Kildonan	45.8	39.8
West St. Paul	41.4	38.7
Springfield	59.2	61.6
Macdonald	54.9	49.6
Coldwell	116.3	103.4
Eriksdale	124.7	104.0
Siglunes	121.4	107.2
Langford	60.9	52.8
Dauphin	59.8	52.2
Ochre River	53.3	46.5
Wallace	49.0	45.4
Pipestone	51.7	47.6
Archie	64.2	58.3
<u>Villages</u>		
Elkhorn	54.7	43.2
<u>Towns</u>		
Dauphin	45.6	38.0
Oak Lake	44.3	42.0
Morris	66.3	58.6
Carberry	74.8	63.8
Neepawa	54.6	44.5
Selkirk	54.4	45.5
Morden	51.0	50.1
<u>Cities</u>		
Brandon	59.0	48.9
St. Boniface	50.4	43.2
St. James	34.5	28.3
Transcona	59.3	49.7
West Kildonan	53.3	44.5
Winnipeg	48.2	39.3

<sup>1</sup> 'Effective' we use as a term to define the average rate required to raise the total amount of realty taxes. Thus, it ignores discrepancies in rates resulting from the presence of local school district rates.

These particular examples draw attention to the fact that other measures may be required to secure the financial positions of some municipalities. These measures could include reorganization of local governmental boundaries or, where this is not physically possible, special assistance. These alternatives could be applied in the examples above. For example, if Springfield were taken out of the Transcona-Springfield School Division and the City of Transcona were incorporated into an urban school division, the high special elementary school costs in the City would not be spread over the rural municipality, and this detrimental effect could be avoided. On the other hand, in such areas as the interlake municipalities where consolidation with fiscally sound municipalities is not possible and where the content of fiscal relief in the general recommendations is insufficient, the Province might have to consider other means of aid.

In summary, our recommendations for reallocating responsibilities, redividing the costs of education and modifying grant payments perform no magic in reducing all municipalities to the same levels of expenditure and taxation. Generally, the recommendations, according to the estimates, appear to be successful in restoring municipal government to a level of financial operation that does not require intolerable tax burdens on real property.

#### Effects of Recommendations not Accounted for in the Estimates

It was impossible to take some of the recommendations into account in estimating the financial changes for municipal governments. While the assumption of complete costs of assessment and town planning services by the municipalities is considered in the estimate for all of municipal government, consideration of their effects in separate municipalities was not attempted. Most municipalities are now paying for part of the cost of these services and the additional amount involved is not large.

It is not possible to predict the results for municipalities of the recommended system of business taxation. The effects on municipal revenues will vary widely. By way of illustration, we estimate that a business tax in the City of Winnipeg, based on the application of the municipal real property rate on a business assessment equivalent to 30 per cent of the real property assessment of business property, would result in a decrease in business tax revenues of \$1.5 million in 1965. At this level of business assessment, some municipalities will experience revenue increases and others, decreases. All that can be said positively is that revenues from this source will depend firstly on the percentage increase in real property assessment which the Provincial Government, in the case of Metropolitan Winnipeg, and elsewhere, the municipalities, decide to levy for business tax and secondly, the local rate of real property taxation.

#### Future Financial Effects

What has been stated to this point relates to 1962, and it is desirable to know the estimated effects of your Commission's recommendations as they may apply in the year of implementation. It is not possible to provide such estimates for groups of municipalities and individual municipalities, but an estimate of the total financial effect for municipal government can be made and this is done in Table 15. The recommendations that have been made involve provincial-municipal financial relations exclusively and, therefore, it can be

assumed that recommendations resulting in savings for the municipalities create corresponding costs for the Provincial Government. Certain proposals result in savings and others result in costs, but the over-all effect is to create a financial benefit for municipal government. This net benefit generally can be assumed to be the net cost to the Province. Thus the total net benefits which are projected to 1966 in Table 15 are shown in Chapter VIII as additional costs for the Province, requiring additional revenues. It should be noted that the estimates do not take into account the recommendation that the Provincial Government assume the 20 per cent of capital costs for future municipal hospital construction for which, under existing arrangements, the municipalities are responsible. In addition, it is not proper to interpret the additional costs for assessment that will be created by the improved assessment service and which are to be borne by municipal government as savings to the Province, because provision for this increase in assessment costs will not have been taken into account by the Province in planning its expenditures. Thus, the estimated net amounts to be transferred as shown in Table 15 are accurate as estimated savings for local government, but are low by some amount as estimates for the costs to the Province.

Table 15 contains separate projections of each of the major cost factors. They are based primarily on normal growth rates as reflected in past cost trends. Unconditional grant amounts were derived on the basis of a \$3 per capita grant for the total 1961 population of the province and thus, the estimates take unorganized territory into account. The estimated grants in lieu of taxes are adjusted to account for mill rate reductions resulting from the recommendations.

Table 15 shows that, when the net revenue decrease is deducted from the net expenditure decrease the net saving to local government in the province is estimated to rise from \$11.4 million in 1962 to \$15.1 million in 1966. These amounts appear in Chapter VIII as additional provincial costs and for aforementioned reasons are likely to be low estimates.

Between 1962 and the time recommendations in this Report are implemented, municipal rates on real property will have risen as costs rise for municipal services. Therefore, while there will be over-all reductions in the rates of property taxation by the proposals your Commission makes, the adjusted rates will most likely be higher than those estimated for 1962 in Tables 12, 13 and 14. The factor of cost increase represented by those services and responsibilities which we assign to the Provincial Government will be permanently removed from the realm of municipal finance, but municipalities will no doubt continue to see costs rise in respect of purely local services as normal growth in population and inflation continues. Moreover, if past trends persist, municipal councils, in response to demands from their electors, may extend and improve local services. Such expenditures as remain with the municipalities will be more within the 'control' of elected representatives than is the case now, subject as they are to burdensome school levies and commitments for shared-cost programs.



Table 15. - Estimated Financial Benefits for Local Government (including Unorganized Territory) Resulting from Recommendations 1962-1966

	1962	1963	1964	1965	1966
<u>Expenditures</u>	\$	\$	\$	\$	\$
<u>Decreasing</u>					
Schools	10,220,970	10,810,720	11,434,499	12,094,270	12,792,109
Public Works	970,340	989,747	1,009,542	1,029,733	1,050,327
Social Services	2,543,860	2,775,018	3,052,520	3,357,772	3,693,549
Subtotal	13,735,170	14,575,485	15,496,561	16,481,775	17,535,985
<u>Increasing</u>					
Administration (Assessment and Town Planning Costs)	277,654	300,000	350,000	400,000	450,000
Net Decrease in Expenditures	13,457,516	14,275,485	15,146,561	16,081,775	17,085,985
<u>Revenues</u>					
<u>Decreasing</u>					
Unconditional Grants	2,765,058	2,765,058	2,765,058	2,765,058	2,765,058
<u>Increasing</u>					
Grants in lieu of Taxes	665,584	680,000	700,000	725,000	750,000
Net Decrease in Revenues	2,099,474	2,085,058	2,065,058	2,040,058	2,015,058
Net Benefit to Municipal Government	11,358,042	12,190,427	13,081,503	14,041,717	15,070,927
<p><b>Note:</b> These projections are based on growth factors determined by research of past trends. Other obvious factors entered into the calculations where they were applicable. For example, the estimated additional grants in lieu of taxes were adjusted downwards to account for the reduction in mill rates resulting from the recommendations. The total estimate for 1962 differs from that given in Table 11 of this part because of the consideration here of school costs and unconditional grants in unorganized territory.</p>					

## CHAPTER VIII

### PROVINCIAL FINANCES

#### Recommendation 53

PROVINCIAL TAXATION. IF OUR RECOMMENDATIONS WERE IN FULL EFFECT THEY WOULD INVOLVE THE TRANSFER FROM MUNICIPAL TAXPAYERS TO PROVINCIAL TAXPAYERS OF AMOUNTS ESTIMATED AT \$13.1 MILLION FOR 1964, \$14.0 MILLION FOR 1965 AND \$15.1 MILLION FOR 1966. IN CONSIDERING HOW THE PROVINCE MIGHT RAISE SUCH AMOUNTS FOR WHAT WERE FORMERLY LOCAL GOVERNMENT PURPOSES, WE MADE THE ASSUMPTION THAT THE PROVINCE WAS NOW RAISING ONLY THE REVENUES WHICH WERE REQUIRED FOR ITS PRESENT RESPONSIBILITIES, AND THE FURTHER ASSUMPTION THAT NORMAL INCREASE IN PRESENT REVENUES WOULD BE REQUIRED FOR NORMAL INCREASE IN PRESENT PROVINCIAL EXPENDITURES, AND, THEREFORE, THE PROVINCE COULD NOT ASSUME THE ADDITIONAL EXPENDITURE WITHOUT RAISING NEW REVENUE OR INCREASING DEBT. ON THIS BASIS WE RECOMMEND TO THE PROVINCE THAT THE NECESSARY FUNDS BE RAISED BY TAXATION RATHER THAN BY INCREASING DEBT AND THAT THE BEST METHOD OF OBTAINING THE REQUIRED REVENUE IS A CONSUMER PURCHASE AND USE TAX, COMMONLY CALLED A RETAIL SALES TAX, LEVIED AT A SUFFICIENT RATE AND WITH APPROPRIATE EXCLUSIONS AND EXEMPTIONS FROM THE TAX.

#### Provincial Revenue Requirements Arising from Recommendations

If our proposals are accepted there will be a substantial shift in the tax burden on real property to another or other forms of taxation. This shift is the result of a rationalization of the division of function and responsibility between local governments and the Province. The principal items of change are the transfer to the Province of administrative and financial responsibility for most social welfare and health services, and the transfer to the Province of a greater share of the cost of public school education. We have proposed other adjustments in accounts between the two levels of government such as the discontinuance of unconditional grants from the Province to the municipalities, a new division of the costs of roads and drainage systems and the assumption by the municipalities of the entire cost of assessing real property and the costs of planning. In addition, the municipalities will gain by increased provincial grants in lieu of taxes on real property held by the Crown in the right of the Province. The result of all these adjustments is the presentation to the Province of a very substantial bill, the amounts of which we have estimated in Chapter VII, Part C. Assuming the change to have been in effect from 1962, the last year for which complete figures are available, and allowing for increase at current rates of growth, the sums involved for the years 1962 to 1966 inclusive are as follows:

1962	\$11.4 million
1963	12.2 million
1964	13.1 million
1965	14.0 million
1966	15.1 million

By our terms of reference we were asked to consider, "The taxation system and other revenue sources available to local government and their adequacy and effectiveness for the responsibilities involved. Alternative methods of raising revenue for local government purposes which might be economically applied."

In an exchange of letters to clarify the last sentence (see Preface), it was settled that our responsibility extended to, "...the consideration of the amount and source of additional revenues which might be devoted to local government purposes whether raised at the provincial or municipal level." Accordingly, we have considered the methods by which the Province can raise the necessary funds economically. We do not consider that we are required, nor that it would be helpful, for us to review provincial finance in general. We start with the assumption that the Province is now raising the amount of revenue which is appropriate to its present responsibilities and with the corresponding assumption that in the future the normal increase in existing sources of present revenue will not do more than keep pace with the normal increase in the present objects of provincial expenditure.

The expenditures for which the additional funds will be required are all of a kind which should normally be paid for from current revenues and not by borrowing, and we therefore exclude the possibility of finding the additional money, even temporarily, by increasing provincial debt.

In proposing a course of action to the Province we first consider the problem in the context of the taxes now paid by Canadians to see what kind of provincial tax would raise the necessary funds, would be fair to Manitoba taxpayers, having regard to the other taxes which they pay, and, at the same time, would be compatible with economic growth in Manitoba and Canada. We then proceed to a consideration of possible sources of additional tax revenues and to a recommendation.

### Current Taxation

Canadians pay taxes to three levels of government. This is part of the price we pay for the federation of our diverse regions and peoples. Therefore, in considering specific tax changes in Manitoba it is not possible to disregard the combined effect of taxes imposed by three taxing authorities, two of which, the Federal Government and provincial governments, are legally independent of each other, and the third, municipal and school governments, is free to act within the limits that are set by provincial legislation. As one would expect, the absence of over-all control has produced a complexity which confuses even the experts. Furthermore, the burden of our many taxes and benefits accruing from them are made more obscure by the transfer of substantial tax revenues from the federal authority to the lower levels of government and between the provincial and local governments, amounting in the calendar year 1962 to the following:

Federal payments to the provinces	\$1,094 million
Provincial payments to municipalities	1,050 million
Federal payments to municipalities	42 million
Municipal payments to provinces	17 million

These figures are taken from Table 1, which shows revenues and expenditures, including capital, of all governments in 1962.

Table 1. - Revenues and Expenditures of the Three Levels of Government  
in Canada 1962

	Federal	Provincial	Municipal	Total
	millions of dollars			
Revenue from own sources	6,907	3,285	1,976	12,168
Plus:				
Revenue from federal government	-	1,094	42	1,136
Revenue from provinces	-	-	1,050	1,050
Revenue from municipalities	-	17	-	17
Total Revenue	6,907	4,396	3,068	14,371
Expenditure for own purposes	6,245	3,235	3,458	12,938
Plus:				
Payments to provinces	1,094	-	17	1,111
Payments to municipalities	42	1,050	-	1,092
Total Expenditure	7,381	4,285	3,475	15,141
Surplus (+) or Deficit (-)	- 474	+111	- 407	- 770

Source: Canadian Tax Foundation, Provincial Finances 1963, p. 2.

"When expenditure is sorted out according to which level of government actually spent the money, the provinces disposed of 8% of the national product, the municipalities, 8.6%, and the federal government, 15.4%, for a total of 32% for all levels of government." <sup>1</sup>

Other statistics which are of interest in reviewing the revenues and expenditures of the three levels of government are set out in Table 2, which gives a comparison of the amounts raised from the most productive taxes by all three levels of government, for the year 1962 in the case of municipal governments, and for the fiscal year 1962-63 for federal and provincial governments. Because there is only one taxpayer no matter how many levels of government there are, it is interesting to examine the principal ways in which that taxpayer pays his bill.

Another factor when considering additional taxation in a province is the taxation in effect in other provinces and the levels of their taxes and other revenues. This comparison is made in Table 3. It shows that Manitoba employs all of the common and productive taxes in use in the other provinces except the general sales tax.

To complete the comparison of provincial revenues, we have inserted two charts. Chart I indicates, in graphic form, the estimated revenues by source of all provinces for 1963-64. Chart II shows graphically a comparison of revenue per capita of all provinces for the years 1953 and 1964.

<sup>1</sup> Canadian Tax Foundation. Provincial Finances 1963, Toronto p. 3.



Table 2.-- Revenues from Taxation for the Three Levels of Government  
in Canada 1962

	millions of dollars	
Property Taxes:		
Real Property Tax	1,430	
Business Tax	60	
Special Assessments	100	
Total		1,590
Individual Income Tax		2,400
Corporation Income Tax		1,700
Sales Taxes:		
Provincial Sales Taxes:		
Liquor	260	
Tobacco	30	
Amusements and Admissions	30	
Motor and Fuel Oil	520	
General Retail Sales	530	
Federal Sales Tax:	1,370	
(Including portion credited to Old Age Security)	1,110	
Federal Customs:		
(Including import duties and excise taxes)	1,030	
Total Sales Tax		3,510
Total		9,200

Source: D.B.S. Financial Statistics of Municipal Governments, 68-203.

D.B.S. Financial Statistics of Provincial Governments, 68-209.

House of Commons Debates, Ottawa, Queen's Printer, June 13, 1963.

#### Additional Taxation - Equity Versus Economic Effect

There is a conflict between two views of what taxation should accomplish, besides raising revenue for government. One view is that the tax system should recognize the basic principle of equity that persons in like circumstances should receive like treatment. Taxation should be in accordance with ability to pay. The other consideration is that taxation be of a kind or amount which will not impede production through the impairment of incentive, saving and investment.

In considering the question of tax equity, we have accepted the definition which describes a tax as progressive if the effective rates increase as incomes increase, regressive if the effective rates decrease as incomes increase, and proportional if the effective rates remain constant for all levels of income.

The term 'taxable capacity' should also be defined. This is simply the capacity or ability of a taxpayer to pay one or more taxes, measured objectively with reference to some measure of his income or wealth. For individuals, the most generally accepted measures of taxable capacity are total income, known as 'personal income', or some portion of total income such as 'personal disposable income' or taxable income as defined in the Income Tax Act with allowances for certain items such as dependents and charitable donations. Other measures are available, notably total wealth or some portion of total wealth.

Table 3. - Net General Revenue (Estimated) of Provincial Governments for the Fiscal year ending March 31, 1964

Revenue by source		Nfld.	P. E. I.	N. S.	N. B.	Que.	Ont.	Man.	Sask.	Alta.	B. C.	Total
		thousands of dollars										
Taxes:												
Corporations		300 <sup>1</sup>	85 <sup>1</sup>	890 <sup>1</sup>	710 <sup>1</sup>	34,150 <sup>2</sup>	2	1,450 <sup>1</sup>	850 <sup>1</sup>	- 2,300	3,400 <sup>1</sup>	44,135
Income:												
Corporations <sup>3</sup>		4,955	1,529	7,584	6,053	116,000		17,420	11,236	26,862	34,737	416,386
Individuals <sup>4</sup>		3,545	586	7,669	5,501	115,000		23,264	16,312	27,840	41,755	417,821
Property		-	-	100	385	-		2,340	-	-	6,810	9,635
Sales:												
Alcoholic beverages		-	430	-	-	-		-	-	-	-	430
Amusements and admissions		90	70	340	275	9,760		11,440	110 <sup>5</sup>	930 <sup>5</sup>	1,440 <sup>5</sup>	25,225
Motor fuel and fuel oil		8,300	3,050	21,120	16,980	147,490		185,900	27,930	39,900	47,540	521,850
Tobacco		-	370	-	2,250	29,380		2,250	-	-	-	34,250
General		16,300	2,750	18,490 <sup>6</sup>	10,360	156,660		185,500	39,000	-	98,990	528,050
Other commodities and services		-	-	375	-	12,230		-	-	-	-	12,605
Succession duties		-	-	-	-	25,500		42,000	-	-	7,060	74,560
Other		360	-	92	96	1,500		97,421	19,542	58	258	133,053
Total Taxes		33,850	8,870	56,660	42,610	647,670		890,960	114,980	97,890	241,990	2,218,000
Government of Canada: <sup>7</sup>												
Statutory subsidies		1,656	657	2,132	1,745	3,964		4,624	2,116	2,816	1,672	23,471
Federal-Provincial Fiscal Arrangements Act 1962:												
Share of federal estate tax <sup>7</sup>		297	61	2,307	920	-		-	1,065	2,984	-	9,979
Equalization (including stabilization)		14,521	3,147	19,422	16,302	69,539		-	23,174	1,546	-	159,684
Atlantic provinces adjustment grants		10,500	3,500	10,500	10,500	-		-	-	-	-	35,000
Newfoundland additional grant		8,000	-	-	-	-		-	-	-	-	8,000
Share of income tax on power utilities		175	50	500	-	3,800		600	55	1,700	250	7,130
Total Government of Canada		35,149	7,415	34,861	29,467	77,303		5,224	26,410	9,046	1,922	243,264
Privileges, licences and permits		7,030	1,080	9,010	9,910	130,050		155,550	35,750	142,940	97,850	608,620
Liquor profits		2,630	1,560	13,020	10,590	47,000		64,500	14,250	24,330	31,560	222,600
Other revenue		1,081	525	2,429	3,043	8,767		19,446	11,070	9,614	9,018	67,696
Total Net General Revenue		79,740	19,450	115,980	95,620	910,790		1,135,680	202,460	283,820	382,340	3,360,180

<sup>1</sup> Tax on premium income of insurance companies.

<sup>2</sup> Various corporation taxes (other than on income). The amounts for Ontario are not separable from item 2 at this time.

<sup>3</sup> Collected by the federal government for all provinces except Quebec and Ontario. Estimates supplied by federal Department of Finance for all provinces except Ontario and Quebec.

<sup>4</sup> Collected by the federal government for all provinces except Quebec. Estimates supplied by federal Department of Finance for all provinces except Quebec.

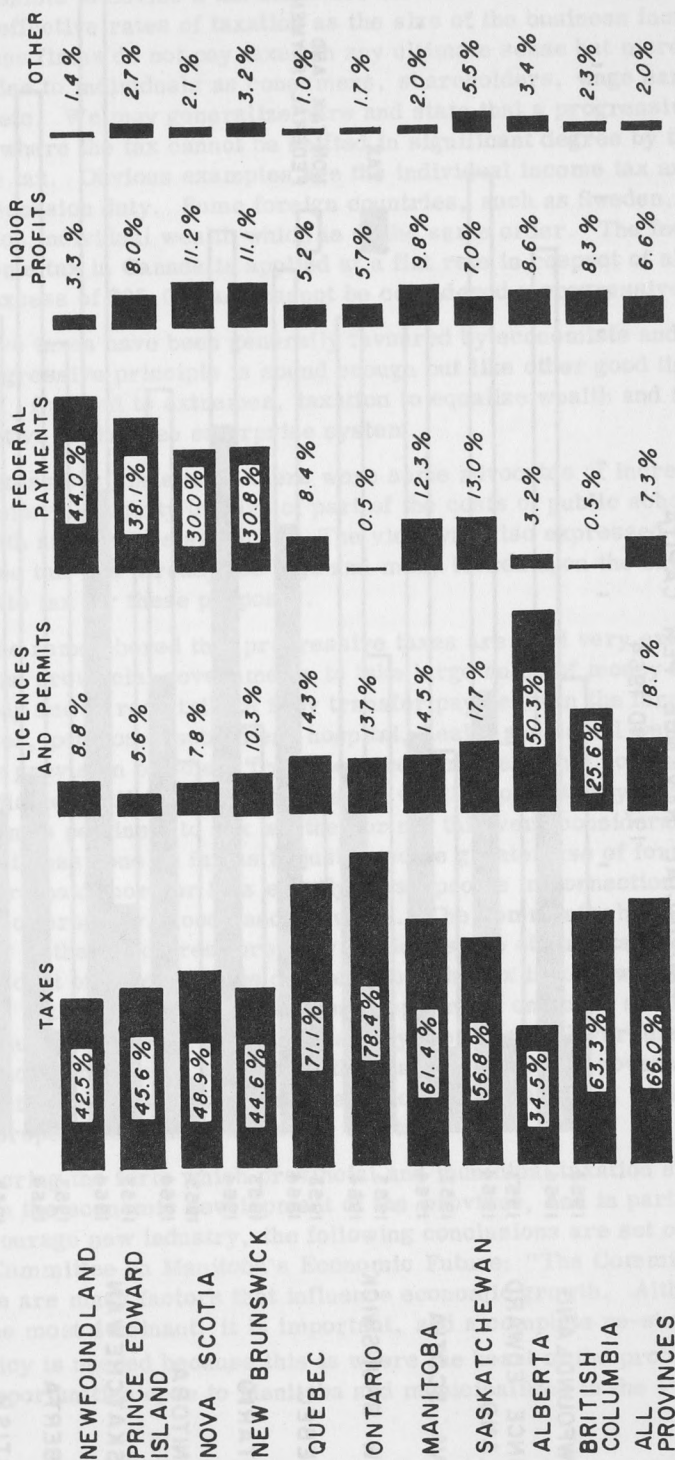
<sup>5</sup> Part-mutuel betting tax only.

<sup>6</sup> Includes special taxes on spirits and tobacco levied under the Hospital Tax Act.

<sup>7</sup> Estimates supplied by federal Department of Finance.

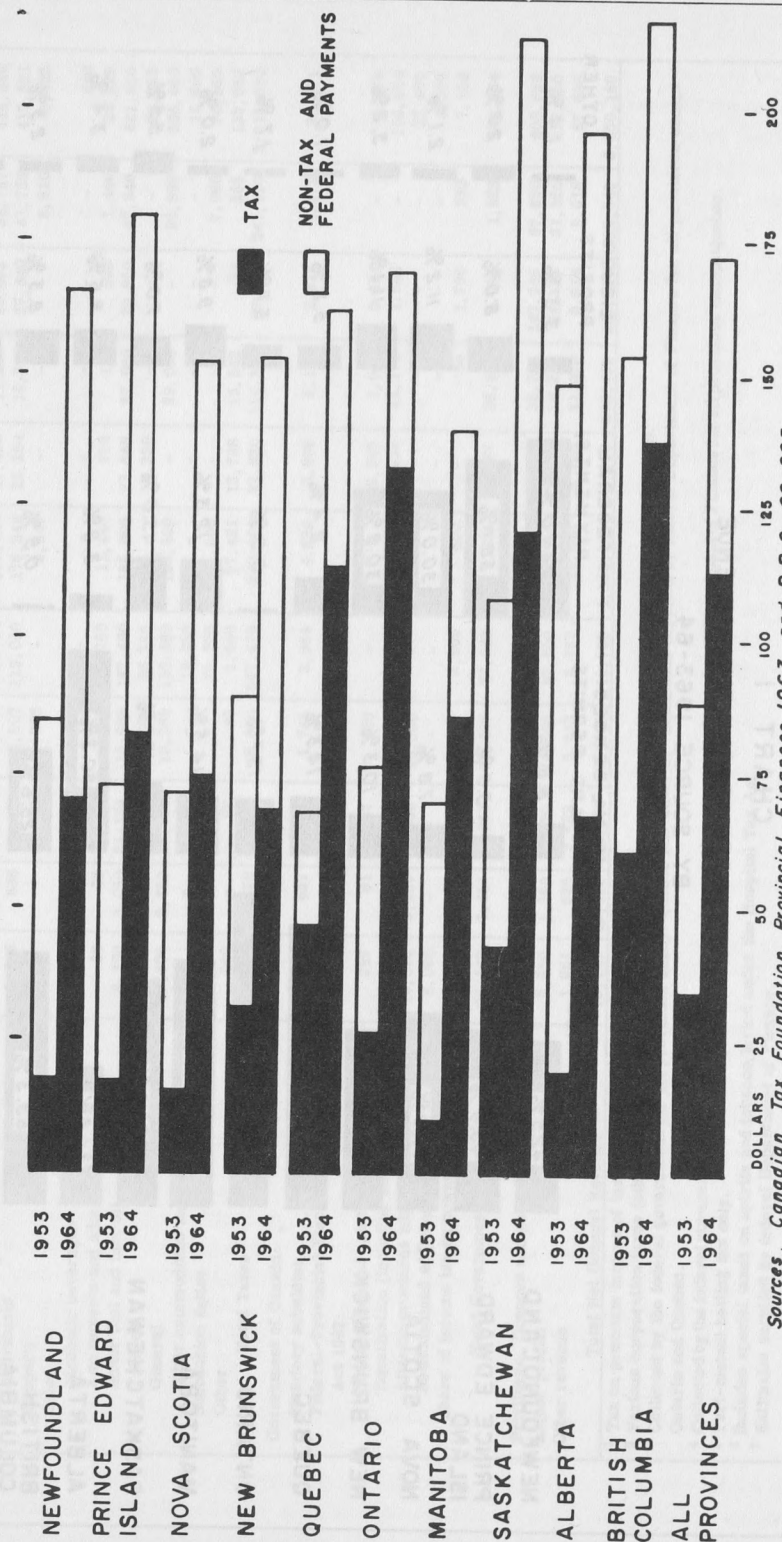
Source: D. B. S. Financial Statistics of Provincial Governments, Revenues and Expenditures, Summary of Estimates, 1963, 68-205, Table 1.

CHART I  
ESTIMATED PROVINCIAL REVENUE  
BY SOURCE 1963-64



Source: D. B. S. Financial Statistics of Provincial Governments Revenues and Expenditures, Summary of Estimates 1963, 68-205

CHART II  
PROVINCIAL REVENUE PER CAPITA  
1953 AND 1964



Sources: Canadian Tax Foundation, Provincial Finances 1963 and D.B.S., 68-205



These concepts have meaning only when applied to individuals. It is, of course, quite possible to devise a tax structure for business which applies higher or lower effective rates of taxation as the size of the business increases. However, business firms do not pay taxes in any ultimate sense but merely transfer the burden to individuals as consumers, shareholders, wage earners, rent receivers, etc. We may generalize here and state that a progressive tax is meaningful only where the tax cannot be shifted in significant degree by the person who pays the tax. Obvious examples are the individual income tax and the estate tax or succession duty. Some foreign countries, such as Sweden, have a progressive tax on individual wealth which is of the same order. The federal corporation income tax in Canada is applied at a flat rate in respect of all taxable income in excess of \$35,000 and cannot be considered a progressive tax.

Progressive taxes have been generally favoured by economists and the public. The progressive principle is sound enough but like other good things it can be overdone. Carried to extremes, taxation to equalize wealth and income could be destructive to the free enterprise system.

In the submissions made to us there were some advocates of increased income taxes to relieve property owners of part of the costs of public schools and the costs of health and welfare services. The view was also expressed that the provincial income tax was already too high and many looked upon the sales tax as the appropriate tax for these purposes.

It should be remembered that progressive taxes are used very extensively by the federal and provincial governments to take large sums of money from those who can pay and to redistribute it by transfer payments in the form of family allowances, pensions, subsidies, hospital, health and social welfare services and by the provision of other 'free' services, recreational, cultural and charitable, available to all the citizens equally, whether or not they are taxpayers. It becomes pertinent to ask whether or not this very considerable redistribution of wealth has gone so far as to justify some greater use of forms of taxation which are paid more or less equally by all people in connection with their enjoyment of property, goods and services. The community has long since reconciled itself to the tax on real property, which is one of such taxes, provided that the total amount of revenue to be derived from the tax is kept within reasonable limits. The retail sales tax, or, the consumption tax on goods and services, is another such tax now imposed on the one hand by the Federal Government as a tax at the manufacturer's level, and on the other hand by provincial governments at the level of ultimate consumption and use of goods and services. A retail sales tax with proper exemptions can be an equitable tax.

In considering the form which provincial and municipal taxation should best take to assist in the economic development of the province, and in particular to attract and encourage new industry, the following conclusions are set out in the Report of the Committee on Manitoba's Economic Future: "The Committee recognizes that there are many factors that influence economic growth. Although tax policy is not the most dominant, it is important, and a complete re-shaping of federal tax policy is needed because this is where the heart of the problem rests. Although the opportunities open to Manitoba and municipalities in the Province are

limited, their tax structures also should be examined with a view to creating a climate that would assist in stimulating economic growth." <sup>2</sup>

On the question of the kind of new taxes in Manitoba, if new taxes are needed, the COMEF Report recommends, "If revenue requirements dictate the imposition of new taxes, these should be shifted from the production of goods to the consumption of goods." <sup>3</sup>

In the post-war economy, the revenue requirements of governments are at levels which cannot be met by taxation in accordance with ability to pay, without serious effects on production and disruption of the economy. There is support for this view among economists and businessmen, as is evident from the representations being made to The Royal Commission on Taxation and to provincial tax commissions. But these views do not go unchallenged.

The conflict of opinion is interesting and doubtless relevant to our problem, but it is a controversy which is being developed more appropriately before The Royal Commission on Taxation. Their findings when they become available, and the extent that they are adopted by the federal authorities might affect very considerably the provincial tax structure and the kind of taxation which will be available for provincial purposes. At this point of time, unless decision on the general program that we propose is to be left in suspense, it is more practical to consider whether there is any alternative to the obvious and unused source of substantial new revenue which is available in the retail sales tax.

Would a Manitoba retail sales tax conflict with broader federal fiscal objectives? At present, it would not, as is illustrated by the satisfactory use of the tax by all the other Canadian provinces except Alberta. One cannot be too precise about the future.

#### Specific Taxes Available to the Province

The following is a list of taxes which could be increased or introduced:

##### The Individual Income Tax

Individuals in Manitoba now pay Canadian and provincial personal income taxes which amount to 106 per cent of the amounts payable by similar individuals in all other provinces of Canada, except Saskatchewan and Quebec. The latter collects its own personal income tax. The revenues received and predictable in Manitoba from the personal income surtax for the years 1962-63 to 1965-66 are as follows:

1962-63	\$ 5,558,000
1963-64	6,074,000
1964-65	6,637,000
1965-66	7,254,000

This six per cent surtax and the one per cent tax on corporate profits were introduced to reduce premium payments for hospital insurance services. The surtax is collected from individuals who already have taxable incomes. By reason of basic and other exemptions, a large portion of the population does not pay

<sup>2</sup>Report of the Committee on Manitoba's Economic Future. Winnipeg, Queen's Printer, 1963. Part XII, Section 2, p. 10.

<sup>3</sup>Ibid. Part XII, Section 2, p. 6.

the tax at all. Those who do pay it are paying income tax at a higher rate than most other Canadians. It creates a disadvantage to living and earning income in Manitoba, as compared with most other parts of Canada, which cannot be regarded as an encouragement to the economic development of the province. It may act as an economic disincentive. It is clear that the tax has restricted charitable giving, particularly for hospitals, for whose use the proceeds of the tax have been designated. It would take a substantial increase in income tax rates to produce even a part of what is needed. Any increase in this surtax at this time is not recommended.

### The Corporation Income Tax

Corporations having permanent establishments in Manitoba now pay to Canada 41 per cent of total taxable income and to Manitoba 10 per cent on taxable income deemed to be earned in the province. The formula in force for the allocation of corporate taxable income amongst the provinces is uniform in all provinces. The provincial rates are about 12 per cent in Quebec, 11 per cent in Ontario, 10 per cent in Manitoba and Saskatchewan and 9 per cent in the other provinces. Therefore, the income taxes payable by corporations in Canada, including the old age security tax, are about 53 per cent in Quebec, 51 per cent in Manitoba and Saskatchewan, and 50 per cent in all other provinces. Corporations pay much lower rates on taxable income below \$35,000.00.

There would be a definite economic disadvantage if Manitoba were to maintain its corporation tax at a higher level than that which prevails in other provinces. At present, the Manitoba rate is as high or higher than all but three other provinces, including the neighbouring provinces on the east and west. The tax could be increased by one point without being above the level of the two most important industrial provinces, Ontario and Quebec. The revenue from a one point increase for the fiscal year 1962-63 would have been about \$1,681,000.00. For subsequent years, our estimate of the value of the additional one per cent corporate income tax is as follows:

1963-64	\$1,753,000
1964-65	1,829,000
1965-66	1,908,000

We do not recommend as economic any increase in this tax.

### Succession Duties

Ontario, Quebec and British Columbia have provincial succession duty taxes of their own which produce revenues for them in excess of the rentals which they would receive for vacating this tax field in favour of the Federal Government. Manitoba, which has agreed to leave this tax to Ottawa, has been receiving a subsidy or rental payment equal to 50 per cent of the tax imposed by the Federal Government under the Estate Tax Act. In November 1963, the Federal Government undertook to increase this rental from 50 per cent to 75 per cent for the fiscal year 1964-65, which would produce an estimated increase of revenue in that year of \$1.2 million for the Province of Manitoba. Leaving this last-mentioned increase out of account, Manitoba, by re-occupying this field, could raise approximately \$1.2 million as an annual average (although the yield would vary from year to year) by imposing succession duties at the Ontario rates.

It is of major importance in a province such as Manitoba to build up pools of capital for investment in local undertakings. A provincial succession duty, in addition to the federal estates tax, would probably increase the exodus, already considerable, of retired and elderly people to warmer climates and easier tax jurisdictions, with consequent depletion of capital assets in the province.

#### Gasoline Tax and Motive Fuel Users' Tax

Manitoba's rate of tax on gasoline is 14 cents per Imperial gallon as compared with 15 cents in Ontario and Quebec, 14 cents in Saskatchewan, 13 cents in British Columbia, 12 cents in Alberta, and higher rates in the Maritime provinces. The motive fuel users' tax in Manitoba stands at 17 cents as compared with 14 cents in Alberta, 17 cents in Saskatchewan, 20.5 cents in Ontario and 21 cents in Quebec. By increasing these rates of tax, each by one cent per gallon, the following additional amounts of revenue could be expected in Manitoba:

	<u>1964-65</u>	<u>1965-66</u>
Gasoline Tax	\$1,575,000	\$1,625,000
Motive Fuel Users' Tax	<u>130,000</u>	<u>130,000</u>
Total	\$1,705,000	\$1,755,000

If increases in these taxes were desirable, the amounts collected would not go far towards meeting the provincial requirements resulting from our recommendations.

#### Miscellaneous Provincial Taxes

Other taxes employed by provincial governments and the total amount of revenue produced by them in the year 1962 were:

Amusement	\$ 24 million
Corporation tax (not including profit)	36
Licenses, fees, and permits	36
Mining and Logging	34
Miscellaneous on natural resources	147
Motor Vehicle licenses and permits	113
Real Property	10
Retail Sales (including liquor and tobacco)	527
Miscellaneous	<u>156</u>
Total	\$1,083 million.

Source: D.B.S., National Accounts, Income and  
Expenditure 1962, 13-201.

For Manitoba, one might consider increased revenues from alcoholic beverage profits, mining tax and royalties, timber tax and royalties, amusement tax, racetracks' tax, game and fish licences, land and security transfer tax, and parks revenues. Individually, such increases would not have much revenue potential.



### Transfer Payments from Federal Government

Equalization subsidies from the Federal Government and shared taxes are fixed by agreements which run until 31 March, 1967, and apply for the last time to the standard taxes levied for the taxation year 1966. Although the Federal Government, in November 1963, undertook to revise the equalization formula for the fiscal year 1964-65 by which Manitoba gains an estimated \$6 million (plus \$1.2 million for succession duties) in that year, and negotiations may increase this yield, there is no certainty of additional revenue from this arrangement. In any case, it is not a tax source which the Province can vary at will at this time and we cannot take it into account.

### Retail Sales Tax

Based on Ontario's experience and assuming that a retail sales tax act were introduced in Manitoba, with exactly the same provisions as apply in Ontario, Manitoba could expect to raise for each one per cent of tax the following amounts:

1964-65	\$8.3 million
1965-66	8.6 million

### Conclusions

The foregoing examination of existing provincial taxes, as possible sources of additional revenue, indicated that individually they would yield only incidental amounts, relative to the substantial sum which the Province will require if our recommendations are accepted. However, these alternatives should not be summarily dismissed without considering their cumulative possibilities. When totalled, the estimated additional revenues which would accrue from a one per cent increase, in the case of the corporate income tax, and a one cent per gallon increase, in the case of the gasoline and fuel taxes are as follows:

	<u>1964-65</u>	<u>1965-66</u>
Corporation Income Tax	\$1,829,000	\$1,908,000
Gasoline Tax	1,575,000	1,625,000
Motive Fuel Users' Tax	<u>130,000</u>	<u>130,000</u>
Total	\$3,534,000	\$3,663,000

Other specific taxes and revenues which were considered, namely, the individual income tax, the succession duty, and the federal equalization and shared tax payments, are not included in the above table and were not considered as possibilities for the reasons stated in discussing each of them. It is worth noting that so far the federal equalization payments, which were originally related to the major taxes of personal and corporation income and estate taxes, and were also later related to provincial taxation of resources, might conceivably be related in the future to the failure of a province to make use of its sales tax resources. The miscellaneous taxes and revenues, which are of any consequence, are already being used quite fully in Manitoba. Mathematically speaking, the taxes in the above table would need to be increased more than four times the projected rates in order to provide the \$14 million required in 1965. In practice, such a large increase might be so burdensome as to restrict the use of gasoline and fuels and to result in 'diminishing returns'.

None of these above-mentioned sources of taxation or revenue, either singly or in combination, offer a reasonably close alternative to the retail sales tax, the only reliable and productive provincial tax which has been employed in other provinces, but not yet in Manitoba.

Judged by its effect on economic growth, the use of a retail sales or consumption tax in Manitoba would definitely be preferable to the alternative means of increasing provincial revenues, namely, an increase in the corporation income tax, an increase in the individual income tax, re-entry into the succession duty tax field, a further use of the gasoline tax and motive fuel users' tax, or further exploitation of alcoholic beverage profits, mining tax and royalties, timber tax and royalties, amusement tax, racetracks' tax, game and fish licences, land and security transfer tax and parks revenue.

Having come to the conclusion that other forms of provincial taxation are insufficient and inappropriate to provide the required revenues, we have investigated the use of the retail sales tax in eight of the provinces of Canada and in some of the states of the Union. We have enquired into its legality, the exclusions and exemptions which have generally been used to make the tax as equitable and proportional as possible, the problems of administration, the cost of collection, the remuneration of vendors and the returns made by them, the effectiveness of collection and the amount of audit which is required, the difficulty of controlling inter-provincial transactions, and the revenues which the tax might be expected to yield in Manitoba at various rates and with various exclusions and exemptions.

It is worth noting that exemptions may be made at the time of sale, which is the general Canadian practice, or by rebate. The former creates administrative problems for the retailer, who has to collect the tax. The latter course, which is being tried in at least one state, is to set up a tax with no exemptions, not even for food, drugs or fuel, but to provide the equivalent exemption by tax rebates, as is done with respect to overpayments of income tax. By using this method, the saving in cost of administration, both for merchants and for the provincial administration, would be considerable. All retailers would be able to dispense with keeping separate records for the tax collected, and to file returns indicating that they were remitting the appropriate percentage of the total of gross sales which were charged during the taxable period. Tax credits would then be granted to each individual in the province, equal to the rate of the sales tax on the amount deemed to be the minimum expended by such individuals on food, drugs, domestic fuel or other necessities to which the exemption is intended to be given. The rebate involves administrative problems and one would have to consider whether the advantages in administration of a tax without exemptions would be sufficient to offset the administrative difficulties of making rebates. In any event, this method of handling the exemptions, which are a necessary feature of any general tax on goods for consumption and use, is worthy of consideration.

Representations were made to us that the tax should be confined to luxuries. Less extreme views favoured the exclusion of farm machinery, food, drugs, children's clothing and other necessities. Almost all Canadian acts exclude goods purchased for re-sale or for further processing into goods for sale, as well as machinery, apparatus, parts and materials for use in productive

processes, goods sold for delivery outside the province, railway rolling stock, goods subject to special taxes such as gasoline, motor fuel, tobacco, etc., and services of various kinds. They also exempt from tax, at the time of sale, food, drugs and domestic fuel. We have satisfied ourselves that exclusions and exemptions are necessary if the tax is to be equitable. The specific exclusions and exemptions which would be appropriate in Manitoba are matters for decision by the Government. Apart from the exemption of basic necessities, your Commission is disposed to favour limitation of items which are to be exempt. For example, it would not be consistent with our recommendation that the Province pay to the municipalities grants in lieu of real property taxes on provincial Crown lands, and to recommend, as was proposed to us, that municipalities be exempted from paying sales tax on their purchases.

## CHAPTER IX

## STRUCTURE OF MUNICIPAL GOVERNMENT

PART A - MUNICIPAL REORGANIZATION

## Recommendation 54

BOUNDARY REVISION. A RATIONAL APPROACH TO THE REORGANIZATION OF MUNICIPALITIES AND SCHOOL DIVISIONS WOULD BE TO BEGIN WITH THE ENLARGEMENT OF RURAL MUNICIPALITIES BY ANNEXATION OR AMALGAMATION OF THE EXISTING 106 MUNICIPALITIES INTO ABOUT 40 TO 50 LARGER MUNICIPALITIES, EACH OF WHICH WOULD LIE ENTIRELY WITHIN A REGION. CONCURRENTLY WITH ANY ENLARGEMENT OF MUNICIPAL BOUNDARIES, CONSIDERATION SHOULD BE GIVEN TO AN APPROPRIATE REVISION OF THE BOUNDARIES OF THE SCHOOL DIVISION OR DIVISIONS IN THE AREA SO AS TO ESTABLISH COTERMINOUS MUNICIPAL AND DIVISION BOUNDARIES WHEN POSSIBLE. AS THIS IS A CONTINUOUS PROCESS WHICH WILL ONLY BE ACCOMPLISHED OVER A PERIOD OF TIME, IT SHOULD BE PUT UNDER THE DIRECTION OF A CONTINUING COMMISSION.

WE RECOMMEND FOR THIS PURPOSE THE MUNICIPAL BOARD WHICH SHOULD BE GIVEN THE ADDITIONAL PERSONNEL AND STAFF TO ENABLE IT TO ASSUME THESE RESPONSIBILITIES AND THE RESPONSIBILITIES WHICH ARE PROPOSED IN OTHER RECOMMENDATIONS.

## Recommendation 55

LEGISLATIVE DEFINITION. THE MUNICIPAL BOARD WOULD REQUIRE FOR ITS GUIDANCE A LEGISLATIVE DEFINITION OF POLICY FOR THE REORGANIZATION OF MUNICIPALITIES AND THE ENLARGEMENT OF THEIR BOUNDARIES AND FOR THE CONCURRENT AND EVENTUAL COMPLETE REVISION OF SCHOOL DIVISION BOUNDARIES SO AS TO MAKE THEM COTERMINOUS WITH THE MUNICIPAL BOUNDARIES. A MINIMUM MUNICIPAL ASSESSMENT OF \$5 MILLION, AN AREA OF 12 TOWNSHIPS AND A POPULATION OF 3,500 ARE SUGGESTED AS SUITABLE MINIMUM OBJECTIVES.

## Recommendation 56

PROCEDURE. THE PROCEDURE RECOMMENDED FOR THE BOARD IN CARRYING OUT THESE FUNCTIONS IS AS FOLLOWS:

- (a) UPON THE APPLICATION OF ANY MUNICIPALITY AUTHORIZED BY BY-LAW OF THE COUNCIL, OR UPON THE APPLICATION OF THE MINISTER OF MUNICIPAL AFFAIRS, OR UPON THE APPLICATION OF AT LEAST 25 ELECTORS, OR UPON THE APPLICATION OF THE METROPOLITAN CORPORATION OF GREATER WINNIPEG WITH RESPECT TO ITS OWN BOUNDARIES AND AUTHORIZED BY ITS OWN BY-LAW, THE MUNICIPAL BOARD MAY:

- (i) AMALGAMATE THE MUNICIPALITY WITH ANY OTHER MUNICIPALITY OR MUNICIPALITIES,



- (ii) ANNEX THE WHOLE OR ANY PART OR PARTS OF THE MUNICIPALITY TO ANY OTHER MUNICIPALITY OR MUNICIPALITIES.
- (iii) ANNEX THE WHOLE OR ANY PART OR PARTS OF ANY OTHER MUNICIPALITY OR MUNICIPALITIES TO THE MUNICIPALITY, OR
- (iv) ANNEX ANY LOCALITY THAT DOES NOT FORM PART OF ANY MUNICIPALITY TO THE MUNICIPALITY, AND MAY AMALGAMATE OR ANNEX A GREATER OR SMALLER AREA THAN SPECIFIED IN THE APPLICATION;
- (b) THE MUNICIPAL BOARD MAY REQUIRE THE ASSENT OF THE RESIDENT ELECTORS OF THE MUNICIPALITIES CONCERNED IN ANY APPLICATION;
- (c) THE MUNICIPAL BOARD SHALL HOLD A PUBLIC HEARING, AFTER NOTICE, FOR THE PURPOSE OF ENQUIRING INTO THE MERITS OF THE APPLICATION AND OF HEARING ANY OBJECTIONS THAT ANY PERSON MAY WISH TO BRING TO THE ATTENTION OF THE BOARD; AND
- (d) NO ORDER SHALL BE MADE BY THE BOARD UNTIL THE EXPIRATION OF A PERIOD SUFFICIENT TO PERMIT AN APPEAL TO THE EXECUTIVE COUNCIL BY ANY AFFECTED PARTY WHICH MAY EITHER CONFIRM THE DECISION OR REFER IT BACK TO THE MUNICIPAL BOARD.

#### Recommendation 57

OTHER BOUNDARY CHANGES WHICH REQUIRE ATTENTION AND SHOULD BE BROUGHT WITHIN THE JURISDICTION OF THE BOARD ARE:

- (a) THE ELIMINATION OF OVERLAPPING BOUNDARIES BETWEEN MUNICIPALITIES AND FEDERAL AND PROVINCIAL PARKS AND FOREST RESERVES; AND
- (b) THE ANNEXATION TO RURAL OR OTHER MUNICIPALITIES OF ADJOINING UNORGANIZED TERRITORY OR TERRITORY IN LOCAL GOVERNMENT DISTRICTS.

#### Recommendation 58

REORGANIZATION OFFICER. WE RECOMMEND THE ASSIGNMENT TO AN OFFICER OF THE DEPARTMENT OF MUNICIPAL AFFAIRS OF THE FULL-TIME DUTY OF INVESTIGATING AND REPORTING TO RURAL MUNICIPALITIES CONCERNED AND TO THE MINISTER OF MUNICIPAL AFFAIRS ON DESIRABLE BOUNDARY CHANGES BY ANNEXATION OR AMALGAMATION, WITH A VIEW TO ASSISTING IN THE PROCESS OF REORGANIZATION. HE SHOULD WORK UNDER THE DIRECTION OF THE MINISTER AND HIS SERVICES SHOULD BE MADE AVAILABLE ON REQUEST TO ANY MUNICIPAL COUNCIL OR GROUP OF NOT LESS THAN 25 ELECTORS.

## Introduction

The charter of municipal organizations in Manitoba is The Municipal Act, which lays down the basis for the organizing of cities, towns and villages. There is no provision for the creation of a rural municipality which can only be organized by amendment to The Municipal Boundaries Act (R.S.M., 1954, c. 176).

After the organization of the first rural municipality in 1883, development was rapid until the whole of the southern portion of the province, with the exception of the park areas in the eastern part, had local government of one kind or another. New municipal units have continued to spring up sporadically in the northern part of the province down to the present decade, as development of the northern resources continues.

The northern development is unique and presents its own problem as the units are isolated from each other. Initially, provision is usually made for a local government district under a provincially appointed administrator, as at Grand Rapids, for example.

Your Commission has considered the organization of local government in Manitoba to ascertain what changes, if any, are needed. It has received many submissions and visited representative municipalities. Two thoughts have been kept in mind: first, that there is no object in making changes merely for the sake of change; and second, that there is no virtue in refraining from making a change because some institution has existed for many years and, in the minds of some, may have acquired a special sanctity.

## Rural Municipalities

In 1962, rural municipalities in Manitoba varied in size from 3 townships with an assessment of \$597,930 to 22 townships with an assessment of \$12,244,100.00. In population they varied from 835 to 8,079. The ratio of elected representatives to electors was one elected councillor for every 367 electors. In the towns, the ratio was one for every 410 electors, in villages, one for every 117, and in cities, one for every 5,620. Population trends clearly indicate that, in the case of rural municipalities, the ratio of electors to councillors is decreasing as rural residents continue their exodus from the farm. In the 10-year period from 1951 to 1961, population of rural municipalities decreased by over 14,500, a drop of approximately 6 per cent. During this same period the population increased by 16 per cent in villages, by 28 per cent in towns and by 34 per cent in the cities and suburban municipalities.

Of those few rural municipalities which did show an increase in population in that period, most of them adjoined urban centres and were affected by 'urban sprawl'.

The main reason behind this continuous decline of the farm population is the improved method of farming which has resulted in the enlargement of farm units. Increased opportunities for higher education and the attractions of urban life have lured farmers' sons and daughters away from the farms and into other employment. Concurrently, the economy of Manitoba has changed significantly. Although agricultural production has remained relatively constant, it is no longer as significant in the provincial economy as it once was. The reasons for

this are that manufacturing has grown steadily and that the construction industry has more than doubled since 1952 to surpass agriculture as the second industry of Manitoba.

Whatever the causes may be, the family farms are becoming fewer and there is nothing to indicate a reversal of this trend in the immediate future. The consequences must be faced; rural municipalities must adjust to smaller population and greatly improved communication by joining forces. Your Commission is satisfied that this is desirable.

There are many sound arguments to justify a reorganization of rural municipalities into larger units.

Larger municipal units will have the effect of equalizing the burden of municipal costs. A study of the statistics for rural municipalities gives convincing evidence that municipal services and tax contributions vary greatly from one municipality to another. The inequity of adjoining properties paying differing tax rates for the same level of services will not by any means be eliminated, but it would be greatly reduced if the number of rural units were cut in half. It is understandable that the municipality with a lower level of taxation will not be anxious to accept a possible increase in order to assist in the process of equalization, but it is desirable that this be done if a greater degree of equality and efficiency is to be achieved in local administration.

Economies will be effected by combining many rural units into larger municipalities. Under present conditions there is an inefficient use of staff in small municipalities, because the same officers or staff could administer a much larger area. Similarly, much of the expensive equipment which each municipality must maintain, such as road machinery and fire equipment, could serve a larger area. Economies in bulk purchasing would be available to a larger municipality.

One of the most important advantages of a larger unit would be the opportunity it offers for the employment of professionally-trained staff. A highly-trained secretary, devoting his full-time and skill to municipal administration, would be an improvement over the part-time employee, which is all that many small municipalities require. Throughout the province there are many rural secretaries who must supplement their salaries with other employment in order to subsist.

There is no doubt that a larger municipal unit would have better credit in borrowing for municipal purposes, as compared to a smaller unit. It would be in a better position to approach the debenture market and could probably obtain a more favourable interest rate on its borrowings.

With the advent of modern means of communication, and particularly of transportation, by which rural residents are mobile for 12 months of the year and distances have been shortened in terms of travelling time, community activities now embrace a much greater area than they did some years ago. A farmer can drive from McAuley to Virden in less time than it took his father to go 10 miles by sleigh in winter. Yet, the old boundaries of rural municipalities are for the most part unchanged since those earlier days. A larger municipal unit would conform to the larger business, social and community interests which now prevail throughout the province.

The Report of the Municipal Enquiry Commission recommended that rural municipalities should have a minimum assessment of \$5 million, a minimum area of 12 townships and a minimum population of 3,500. Accepting these as good working standards and applying them to existing municipalities according to 1962 statistics, only 10 municipalities qualify on an assessment basis, 12 on a population basis and 17 on an area basis. That Report urged a consolidation of municipalities and supported its stand with many statistics and arguments. Although its recommendation was not acceptable to the meeting of urban and rural councillors called to consider the Report, it commends itself to your Commission. The adoption of these standards would have the effect of reducing the number of rural municipalities to approximately the same as school divisions. If consolidations and annexations - both municipal and school - were directed by one authority such as the Municipal Board, the boundaries of rural municipalities and of school divisions might eventually be made coterminous, with great administrative benefits.

The submissions to your Commission ranged from those who asked that no changes of boundaries be made to those who urged that steps be taken to enlarge municipalities in accordance with the standards mentioned above. For the most part, the need or the inevitability of change to larger units was recognized, but the methods varied widely. Quite a number favoured a vote of the electors. Many suggested standards for units larger than those existing now. Others favoured adjustments to combine areas with similar levels of assessment. Most recognized that changes should be made.

The Commission has prepared a suggested grouping of rural municipalities (Map 3) which might be used as a starting point towards larger units. It is emphasized that this map is not being submitted as a proposal for any particular consolidation. It is submitted for study by municipal officials and to start discussion. There may be inconsistencies immediately obvious to those familiar with the local scene.

#### Other Boundary Changes

Study of Maps 2 and 3 reveals a number of boundary problems that your Commission feels could be remedied at the time of the reorganization of rural municipalities:

- (1) Local government districts adjoining park lands should be reorganized by attaching the well-settled agricultural portions to the adjoining municipality and attaching the portions that are essentially park land in character to the adjoining park.
- (2) Where existing municipal boundaries overlap the boundaries of federal or provincial parks or provincial forest reserves, existing municipal boundaries, or federal or provincial parks or forest reserve boundaries should be altered, so that no part of such parks or reserves will be included within the bounds of a municipality.

#### Conclusions

Change in boundaries and municipal reorganization must come but it will take time to accomplish. Many problems will have to be resolved: representation of new units, disposition of capital debt and reserves, naming of new units,



combining of municipal staffs, and location of municipal offices, to mention only a few.

While rural municipalities will understandably be reluctant to promote their own liquidation, your Commission, after meeting with a great number of elected rural councillors and reeves, has every confidence that the plan for reorganization will be given the thorough consideration it deserves.

In recommendation 58, recognition is given to the need for further study and planning of desirable amalgamations. What is everybody's business is nobody's business and does not get done. A special officer, charged with investigating and recommending suitable boundary changes to the municipal councils concerned and to the Minister of Municipal Affairs, would at least make councils consider the possibilities of change and should not be resented if he had no power to compel action. A similar officer in the Department of Education is proposed in recommendation 18 with respect to consolidation of school districts. It may be that the two offices should be combined in one person.

PART B - CONSTITUTIONAL CHANGES

Recommendation 59

TERM OF OFFICE. THE TERM OF OFFICE FOR COUNCILLORS AND TRUSTEES SHOULD BE TWO YEARS. AN UNOBJECTIONABLE EXCEPTION IS THE PRESENT THREE-YEAR TERM FOR SCHOOL DISTRICTS IN WHICH ELECTION TAKES PLACE AT PUBLIC MEETINGS.

Recommendation 60

BIENNIAL ELECTIONS. ELECTION TO OFFICE OF COUNCILLORS AND SCHOOL TRUSTEES SHOULD BE HELD EVERY SECOND YEAR AT THE SAME TIME AS THE ELECTION OF HEADS OF COUNCIL, THEREBY ELIMINATING 'OFF YEAR' ELECTIONS.

Recommendation 61

TAKING OFFICE. NEWLY-ELECTED MEMBERS OF COUNCILS AND SCHOOL BOARDS SHOULD TAKE OFFICE AT THE BEGINNING OF THE MONTH FOLLOWING THEIR ELECTION.

Recommendation 62

WARD SYSTEM. THE PRESENT WARD SYSTEM FOR ELECTION OF COUNCILLORS AND TRUSTEES SHOULD BE CONTINUED.

Recommendation 63

VOTERS' LISTS. VOTERS' LISTS SHOULD BE PREPARED AT LEAST EVERY TWO YEARS.

Recommendation 64

MUNICIPAL BOARDS AND COMMISSIONS. MUNICIPAL COUNCILS SHOULD HAVE POWER WITHOUT REFERENCE TO RATEPAYERS TO APPOINT AND DISSOLVE BOARDS AND COMMISSIONS SUCH AS PARKS BOARDS AND RECREATION COMMISSIONS.

Recommendation 65

BORROWING BY-LAWS. BORROWING BY-LAWS FOR CONTRACTING A DEBT NOT REPAYABLE WITHIN ONE YEAR, WHICH HAVE BEEN APPROVED BY THE MAJORITY OF THE WHOLE COUNCIL OR SCHOOL BOARD AND OF WHICH PUBLIC NOTICE HAS BEEN GIVEN AFTER THE FIRST READING, SHOULD REQUIRE THE APPROVAL OF THE MUNICIPAL BOARD ONLY. IF THE AMOUNT OF THE DEBENTURE DEBT IN THE BY-LAW EXCEEDS A SPECIFIED STATUTORY MAXIMUM, THE BOARD SHOULD HOLD A PUBLIC HEARING BEFORE GIVING APPROVAL. IN EVERY CASE THE BOARD SHOULD HAVE THE POWER TO ORDER A VOTE ON THE BY-LAW BY THE RESIDENT RATEPAYERS.

Recommendation 66

TAX CANCELLATION. THE EXISTING POWERS OF TAX CANCELLATION BY MUNICIPAL COUNCILS SHOULD BE CONTINUED.

### Recommendation 67

FISCAL YEAR. IT WOULD BE DESIRABLE FOR ACCOUNTING AND STATISTICAL PURPOSES TO HAVE A UNIFORM FISCAL YEAR FOR ALL LEVELS OF GOVERNMENT, BUT THE GOAL SEEMS TO BE TOO REMOTE TO BE RECOMMENDED.

### Recommendation 68

MUNICIPAL ACT. THE MUNICIPAL ACT SHOULD BE THOROUGHLY REVISED. FREQUENT CONSOLIDATIONS ARE ALSO DESIRABLE. CONSIDERATION SHOULD BE GIVEN TO THE REPEAL OF SEPARATE CITY CHARTERS AND THE INCORPORATION IN THE MUNICIPAL ACT OF PROVISIONS APPLICABLE UNIFORMLY TO ALL CITIES.

### Introduction

Your Commission has reviewed those miscellaneous constitutional problems of local government which were dealt with by the Municipal Enquiry Commission and were the subject of submissions. Some have been approved, some have been varied and in other cases no change is suggested.

### Uniform Date for Nomination and Election

The Municipal Enquiry Commission recommended that the dates for nomination and election of members of council should be uniform throughout the province. The recommendation did not mention school trustees. This recommendation was approved by the joint meeting of the Union of Manitoba Municipalities and Manitoba Urban Association. Two of the submissions to your Commission, the Union of Manitoba Municipalities and Manitoba Urban Association and the Rural Municipality of Rosser, advocated uniformity in nomination and election of councillors.

The Municipal Act was amended in 1963 to provide that nominations for heads of council be held biennially and for councillors, annually, on the first Wednesday in October and that elections be held on the fourth Wednesday in October. This applies to the Cities of Winnipeg and St. Boniface.

The Public Schools Act provides that, in the case of school divisions, nominations and elections shall be held on the same dates as in cities, towns and villages, and further that these shall be held at the same time and place and in the same manner as municipal nominations and elections.

The major exceptions to this legislation are nominations and elections in rural school districts. Trustees are nominated and elected at an annual public meeting of electors held in January. A poll can be demanded at the meeting by one-fifth or more of the electors present.

Your Commission endorses the principle of uniformity of nomination and election dates for councillors and school trustees, as being convenient for electors and increasing voter interest. However, the informal method of electing rural school trustees has worked effectively in the past and no useful purpose would be served by requiring the same formalities as are required for the election of municipal councillors and other school trustees.

### Terms of Office of Councillors and Trustees

The Municipal Act provides for a term of office of two years for reeves, mayors, aldermen and councillors, while The Public Schools Act provides for a term of office of two or three years for school trustees depending on the kind of school unit in which the trustee is elected. The variety of terms for school trustees is considerable. In rural school districts, rural consolidated school districts and in a village or town not divided into wards, the term of office is three years although, in the case of a district comprising a village or town not divided into wards, the Lieutenant-Governor-in-Council may provide for the term of office of school trustees. In cities and towns divided into wards and in municipal school districts, trustees hold office for a term of two years. Provision is also made that on the establishment of a school division the Minister shall determine the term of office of each of the first trustees elected. In a school division comprising an entire school district, the trustees shall have the same term of office as the former trustees of the school district.

In the formal submissions to your Commission, a number of municipal and school briefs favoured a three-year term of office, the majority of the recommendations referring to terms for trustees. One brief even suggested a four-year term for elected school officials.

The Municipal Enquiry Commission recommended a three-year term for municipal councils and school boards, with one-third retiring each year. The reeve or mayor was to have a three-year term and the school board chairman was to be elected annually from among the members. This recommendation was approved by the rural and urban convention which studied that Commission's report.

The arguments for a three-year term for councillors and school trustees are that frequent elections distract the elected representatives, interrupt the continuity of their policies and are wasteful of both time and money. On this basis even longer terms could be proposed. On the other hand, if the term were extended even to three years, representatives could tend to become less responsive to the wishes of their electors. Moreover, if a board or council turned out to be ineffective, three years would be a long time to wait to replace it. It is natural for elected officials to wish to avoid the hazards and expense of elections, but at the local level elections are not a troublesome or costly price to pay to keep the elected closely in tune with public opinion. Two years seems to provide a happy medium between the two sides to the case.

It is desirable that some uniformity be attained in the terms of office of municipal councillors and school trustees.

Your Commission has therefore recommended a two-year term for both municipal councillors and school trustees, with the exception of those rural school trustees who are nominated at a public meeting for a three-year term.

### No Elections in 'Off Years'

Provision is made in The Municipal Act and The Public Schools Act for annual elections at which a part of the council or school board is elected for a two-year term. Mayors or reeves, however, are elected every second year. The result has been a marked decline in voter interest in those elections in which



there is no contest for reeve or mayor. In recent years the low percentage of voters who have turned out in off year elections has been somewhat alarming. Staggered terms are unnecessary in practice to give continuity to councils and school boards, and make it necessary to have elections every year. Our recommendations about term of office and elections would make it unnecessary to have off year elections.

### Inauguration of Councillors and Trustees

Under existing legislation, municipal councillors and school trustees (except in rural school districts) are elected in October and take office at the beginning of the next calendar year. A newly-elected councillor or trustee is not entitled to take office at November and December meetings, but must wait until January to be sworn in. In the City of West Kildonan the newly-elected members of council take office immediately after election. Similar legislation was enacted at the 1964 session of the Manitoba Legislature with respect to the City of Transcona.

The Municipal Enquiry Commission recommended that newly-elected members of council and school boards assume office on the first day of the month following election. This was approved by the joint convention of rural and urban municipal associations. The Municipal Enquiry Commission also expressed the opinion that defeated councillors or trustees may lose interest for the remainder of their term.

Your Commission recommends legislation to provide that all newly-elected members of council and school trustees assume office at the beginning of the month following their election.

We do not express any opinion as to whether the election should take place in the month of October or December.

### Wards for Electoral Purposes

In rural municipalities throughout the province and in most school divisions, nominations and elections are conducted on the ward system. The Municipal Act set out the procedure for the division of a municipality into wards, and, where the ward system is in effect, for its abolition. Provision is likewise made for the alteration of wards and extension of their boundaries in cities. The ward system is used not only officially for nomination and election but also unofficially for the administration of the municipality's affairs.

The Municipal Enquiry Commission recommended that wards in rural municipalities be used only for the nomination of candidates who would then be elected by the whole electorate, and that wards be abolished entirely in urban municipalities. Many submissions were made to your Commission on this subject, some advocating nomination by wards and election at large and others, in the majority, advocating nomination and election by ward.

Nomination and election by wards, where this system is in effect, has obvious advantages over election at large. It provides geographical representation both for councillors and trustees. The electors are more likely to know their candidates, who are likely to be in closer touch with them, than if the candidates had to cultivate the whole electorate.

The advantages of nomination and election of candidates on the present ward system outweigh the disadvantages and your Commission does not recommend any change.

The use of the ward system as the unit for the administration of municipal affairs is quite another question. Abuses are possible regardless of the geographical organization of municipalities and the remedy for sectional rivalries and discrimination rests with the electors in their choice of representatives.

#### Preparation of Voters Lists

The Municipal Act requires a municipality to prepare a list of electors annually. However, there is a provision which enables a municipal council, either by resolution or with the approval of a county court judge, to amend the previous year's list in lieu of preparing a new voters list.

The Public Schools Act provides that the secretary of a division is required to prepare a list of resident electors every third year. For this purpose the secretary uses the list prepared by the municipality.

The Municipal Enquiry Commission recommended a change in the present procedure which that Commission felt would increase voter interest. It suggested compulsory registration by the electors. It further recommended that lists be prepared only when a vote is required. These recommendations were approved by the meeting of rural and urban municipal representatives.

In the briefs submitted to your Commission, this matter was dealt with by a number of municipalities. The majority of the submissions in this respect requested that the lists be prepared only when required. One urban municipality followed the lead of the Municipal Enquiry Commission and recommended that electors be required to register.

Your Commission is not prepared to recommend compulsory registration by the electors but agrees that any device or procedure that might increase voter participation is worthy of serious study.

Voters lists will have to be prepared at least every two years in conformity with our recommendations respecting elections.

#### Municipally Appointed Boards and Commissions

Under existing legislation, municipalities have the power to establish various types of boards and commissions. By section 807 of The Municipal Act, provision is made for the establishment of Parks Boards which are declared to be 'bodies politic and corporate'. The board is to consist of the head of council, chairman of finance, chairman of public works and six other citizen members except in the Cities of Winnipeg and St. Boniface. The powers and duties of the board are set out in the Act and it is specifically provided (s. 817) that the members shall serve without compensation.

By section 429 (8), a municipality may appoint a community centre board consisting of the head of council, chairman of finance and six citizen members to administer the affairs of a community centre, such board to be under the direction and control of council. Again, by section 431, a municipality may appoint a board to administer a home for the aged and infirm, constituted in the same manner as a community centre board.

The contribution made to local government administration by the members of these boards is significant. Quite a number of such boards are functioning throughout the province and are performing a valuable public service. By making use of citizens with special skills and interests, they ease the burden on the elected council. They also encourage citizens to become more active in municipal affairs. Since the board members contribute their time and efforts without recompense, it would be a matter of regret to lose their services. Such activity should be fostered rather than discouraged.

The Municipal Enquiry Commission recommended that all such boards be abolished and expressed the view that these matters could best be carried out by a committee of council with co-opted citizen members.

As the elected representatives of the people, the council should have the power to dissolve such boards and commissions as well as to create them, without the necessity of electoral or ratepayer approval. The boards and commissions exist to assist the council in the conduct of municipal affairs and must be subject to the council. Recognizing the overriding importance of the council, we have recommended that The Municipal Act be amended to enable the council to create or dissolve these boards on its own initiative.

### Money By-Laws

#### Statutory Requirements

A review of the statutory requirements for money by-laws in Manitoba reveals an unusual lack of uniformity. To illustrate, The Municipal Act provides that only ratepayers can vote on money by-laws, but under The Public Schools Act the franchise is widened to electors except for the City of Winnipeg where the reference is again to ratepayers. Variations are found within The Municipal Act itself. The Act makes necessary the assent of the ratepayers on a by-law for raising any money not repayable within that fiscal year (s. 532) but another section of the same Act (s. 731) provides that, if the debentures are for purposes of local improvements, ratepayer approval is unnecessary. It is not necessary for a Parks Board to have ratepayer approval to borrow on 'local improvement boulevard debentures' for beautifying streets, boulevards, etc., (s. 836), but ratepayer approval is required for the purchase of land for parks, (s. 844).

Moreover, under The Municipal Act, a borrowing by-law must be approved by The Municipal Board before being submitted to the ratepayers. Under the Charter of the City of Winnipeg, ratepayer approval is necessary but not Municipal Board approval. Under the Metro Act, borrowing by-laws need not be submitted to the ratepayers but must be approved by the Municipal Board.

Prior to 1964, a municipal by-law required at least a three-fifths majority to pass, while under its Charter a by-law of the City of Winnipeg required only a clear majority. In the 1964 session of the Legislature, The Municipal Act was amended to bring it into line with the City of Winnipeg Charter by requiring only a clear majority in the future.

Variety is also found with respect to residence requirements. The Public Schools Act provides that only resident electors may vote, while The Municipal Act empowers all ratepayers, resident or non-resident, to vote on money by-laws.

### Opinions on Money By-Laws

There is a body of opinion that advocates doing away with ratepayer approval, asserting that the elected representatives should assume responsibility for debt-creating by-laws. It is argued that sufficient safeguard is provided against an irresponsible council in the requirement that such by-laws first be approved by the Municipal Board. Furthermore, if a council acts in an irresponsible manner, the electors have the opportunity of turning it out of office at the next election.

Another body of opinion would retain the vote on money by-laws but would extend the franchise to all electors, not just to ratepayers. This proposal is based partially on the view that tenants pay taxes indirectly through rent, and partially on the theory that in the day of substantial grants and transfer payments from senior governments all electors indirectly contribute to municipal resources.

Differences of opinion exist on whether a non-resident should be enabled to vote on by-laws requiring electoral or ratepayer assent. The Report of the Municipal Enquiry Commission, while dealing only briefly with money by-laws, recommended that the right to vote be restricted to resident ratepayers.

### Conclusions

It appears to us that the responsibility for approving a money by-law should rest primarily with the municipal councillors as the elected representatives of the people, and that, if all money by-laws were required to be submitted for the approval of the Municipal Board, which in any instance could require ratepayer or electoral assent, this would give adequate protection against irresponsible action.

A further safeguard could be provided by requiring the Municipal Board to hold a public hearing when the amount to be borrowed exceeded a limit fixed by Statute. The limit would vary, depending on the class of municipality. This practice is now followed when The Metropolitan Corporation of Greater Winnipeg borrows money for capital purposes and the amount is greater than five hundred thousand dollars.

Though not the most important consideration, there would be considerable saving of time and expense if assent were not required for each money by-law. Essential programs could be launched without as much delay as results from the observance of the present procedure.

Your Commission therefore recommends the repeal of statutory provisions requiring ratepayer or electoral assent for all borrowing by-laws. It further recommends that all such by-laws, to authorize borrowing for more than one year by a municipality or a school board, require the approval of the Municipal Board and, if the by-law exceeds a specified statutory limit, there shall be a public hearing. In every case, the Board shall have the right to refer the by-law to the ratepayers for approval.

The right to vote on money by-laws should be restricted to residents since they have a closer personal involvement in the community.



In those exceptional cases which do not now require ratepayer assent, no change is recommended as there is no evidence that municipal authorities have abused their power in those instances.

#### Power to Cancel Taxes

Section 1188 of The Municipal Act enables a municipal council, by by-law, to cancel taxes or debts owing to the municipality. Such a by-law must be approved by the Minister of Municipal Affairs. This section is used to cancel taxes that have been entered on the roll in error, to forgive or apportion taxes, and to cancel uncollectible tax debts. The City of Winnipeg has no such power in its Charter and corrections on the roll must be effected through the Court of Revision.

The Municipal Enquiry Commission recommended that this section be retained in The Municipal Act with the proviso that such a by-law require a majority of the whole council.

No evidence was given to your Commission that there had been any abuse of the present rule and it is recommended that it remain unchanged.

#### Fiscal Year

Municipalities operate on a calendar year, while the fiscal years of the Provincial and Federal Governments end on March 31st.

It would be convenient and sensible to have uniform fiscal years for all levels of government, but it would cost more in time and confusion to change the Municipal fiscal year to coincide with the provincial and federal fiscal year than would be gained. Such a change may be desirable but is not practical. If your Commission's recommendations are implemented, one disadvantage, that of relating grants and transfers from the Province in its fiscal year to expenditures by the municipality in its fiscal year, will be of little importance.

#### Revision of The Municipal Act

A thorough revision and frequent consolidation of The Municipal Act would be of great benefit to the many people who work with it. The accumulation of annual amendments makes it difficult to know precisely how the law stands on any particular point, without laborious reference to each of the annual statutes.

At the present time, there are a number of cities with their own charters. In many cases the provisions differ. To add to the difficulty of deciding what provisions apply, a number of the cities are governed partly by charter and partly by The Municipal Act. Consideration should be given to the enactment of a special part in The Municipal Act for cities and the repeal of the existing individual charters.

## CHAPTER X

## METROPOLITAN WINNIPEG

## Recommendation 69

STREETS. STREETS SHOULD BE DIVIDED INTO THREE CATEGORIES:

- (a) LOCAL STREETS, THE RESPONSIBILITY OF THE MUNICIPALITIES;
- (b) METRO STREETS, THE RESPONSIBILITY SHARED EQUALLY BY THE METROPOLITAN CORPORATION AND THE PROVINCE; AND
- (c) PROVINCIAL TRUNK HIGHWAYS, TO A POINT INSIDE THE METRO BOUNDARY TO BE AGREED UPON, THE RESPONSIBILITY OF THE PROVINCE.

COSTS WOULD INCLUDE CONSTRUCTION AND MAINTENANCE EXPENDITURES.

## Recommendation 70

HOSPITALS. A HOSPITAL DISTRICT BOARD FOR THE METROPOLITAN AREA SHOULD BE ESTABLISHED TO WORK WITH THE PROVINCE, ASSISTING IN ADMINISTRATIVE MATTERS SUCH AS HOSPITAL LOCATION AND CO-ORDINATION OF PLANS FOR NEW AND IMPROVED HOSPITALS. MEMBERSHIP WOULD CONSIST OF REPRESENTATION FROM THE BOARDS OF EACH HOSPITAL, METRO COUNCIL AND CITIZENS NOMINATED BY THE PROVINCE

## Recommendation 71

TAXES. WE RECOMMEND NO NEW TAX AS AN ADDITIONAL SOURCE OF REVENUE FOR THE METROPOLITAN CORPORATION AT THIS TIME.

## Recommendation 72

BOUNDARY CHANGES. PROCEDURE FOR MUNICIPAL BOUNDARY CHANGES IN THE PROVINCE AS PROPOSED IN CHAPTER IX, PART A SHOULD APPLY TO THE BOUNDARIES OF THE AREA MUNICIPALITIES AND METRO ITSELF.

Introduction

The Greater Winnipeg area contains about half a million people, which represents approximately half the population of Manitoba, and is governed at the present time by 19 municipal governments and The Metropolitan Corporation of Greater Winnipeg. The Metro Corporation was established in 1960 by the Provincial Legislature to supply to the citizens of the Metropolitan area those services which were of an inter-municipal nature. The main services for which Metro is responsible are: the public transit system, the production of water, sewage disposal, a metropolitan street system, parks, planning and zoning, assessment and civil defence.

Because of this difference with other municipal governments in the province, the question arises as to whether the local municipal administration which we have devised for the rest of the province can be applied to the Metropolitan Corporation and the area municipalities.

Three of the most important services for which we have recommended financial changes are education, health and welfare. The Metro Corporation is not involved in any of these services. However, the area municipalities and

school boards in the Metro area should benefit from our proposed financial changes, the same as any other municipalities and school boards in the province. We therefore confine our discussion in this chapter to the following factors:

- (1) the extent of the parallel between The Metropolitan Corporation of Greater Winnipeg and our proposed regional administration for the rest of the province;
- (2) the possibility of a hospital district for the Metropolitan area and the relationship of such a district to the Metro Council;
- (3) the relationship of health units to the Metro Council and the area municipal councils;
- (4) the application of our proposal for the ending of shared road programs to the Metro area;
- (5) the financial resources of the Metropolitan Corporation; and
- (6) the more rational grouping of the metropolitan population into municipalities by the provision of a forum in which boundary changes, amalgamations and annexations can be proceeded with in accordance with public necessity and opinion.

#### Regional Inter-Municipal Administration

We have recommended the creation of a structure of inter-municipal regions throughout Manitoba to assist in the co-ordination and planning of projects extending beyond the limits of the local municipalities. The Metropolitan Corporation of Greater Winnipeg already provides most of the important inter-municipal services in its area and in some respects has powers and duties going considerably beyond what we have suggested for regional councils in the balance of the province. On the other hand, our proposal for regional councils includes a recommendation that they should have advisory and planning powers over a wide range of inter-municipal activities. In contrast, Metro, by its legislation, is limited to the functions specifically designated in the Statute.

Although there has been some practice of consultation between adjoining municipalities and among area municipalities, there is no formal machinery for consultation on matters of inter-municipal concern such as would be provided by the setting up of a regional council as is proposed for other areas of the Province. However, there do not appear to be sufficient inter-municipal works or projects which are not attended to by the Metropolitan Corporation to warrant the setting up of a regional council which would be bound to duplicate and conflict with the functions of the Metropolitan Corporation. In the future, discussions and consultations may lead to further changes in the Metro legislation and we believe this will prove to be a more satisfactory procedure than a change at this time to give Metro new and extensive advisory and consultative functions. Our proposal, therefore, is that Metro should, within its own area be considered as the equivalent of a regional council and that its powers and duties should be those set out in its own Act as amended from time to time.

#### Joint Provincial-Municipal Administration through Regional Centres

The proposed regional organization provides the possibility of joint provincial-municipal administration of various services such as health. The regional council representing the municipalities and officials of the provincial

departments concerned are intended to share these administrative responsibilities through regional committees as has been described in Chapter IV. We now apply these ideas to the Metropolitan area.

### Hospitals

In dealing with the transfer of responsibilities to the province, we have recommended that the municipal share of construction costs of hospitals should be dropped and that the hospital district boards should become part of the structure of the proposed regional councils. In that discussion we have pointed out that, in the present hospital districts, the hospital district boards are responsible for the planning and co-ordination of hospital construction and operations, but where there is more than one hospital within a district, separate administrative committees or boards exist for each hospital. Our recommendation is that the hospital district boards should become part of the regional structure and should include representation from the separate administrative committees of municipal hospitals and the boards of private or non-municipal hospitals as well as official municipal and provincial representation.

Within the Greater Winnipeg area this pattern of financial and administrative responsibility could be applied with consistency. The hospitals of the urban centre serve patients without regard to municipal boundaries and, in fact, they serve a significant proportion of the people of the whole province. Their financing and control should be a primary responsibility of the Province and its agency, the Manitoba Hospital Commission. Local participation would take the form of a Metro hospital district board to work with the Province, assisting it in administrative matters such as hospital location, the co-ordination of plans for new and improved hospitals, specialized services in certain hospitals, and any other matters in which the participation of local government would be helpful on an area-wide basis. In matters such as these, it appears that if local participation is required, the regional government, namely, Metro, is a more appropriate body than the area municipal councils. The actual operation of the hospitals, either private, charitable or municipal, would remain as it is but each would be entitled to representation on the hospital district board.

### Local Health Units

In relation to local health units we have recommended that the Province should accept full financial responsibility, subject to any assistance received from Ottawa, and we have recommended that local administration should go through the regional council and its committees. In this instance we do not recommend a Metro-wide structure.

At the present time, local health units are already functioning in the suburbs on an inter-municipal basis. In our discussion of local health units we have dealt with the situation in Winnipeg and have recommended that the services commonly handled by local health units should be transferred to a Winnipeg health unit paid for by the Province. If that was done, Greater Winnipeg would have a complete structure of local health units paid for by the Province but related administratively to the area municipalities, either individually or in groups. We consider that this would be a sound structure under present circumstances. One local health unit for the whole population of Greater Winnipeg might be too large and impersonal to make use of local knowledge and experience. Furthermore, the



local health units have an important inspection and enforcement function in relation to municipal by-laws dealing with restaurants, food stores, garbage and the like. Close contact with the local council, police and waste disposal staff are important. It would be unsound to transfer the local health units to Metro while leaving the health by-laws, sanitation, waste disposal, etc., under the local councils. A regional health unit committee similar to the hospital committee, to co-ordinate the work of the individual local health units in the Metro area, is worthy of consideration. Experience gained in such a committee would be useful in deciding whether one Metro health unit would work.

### Roads and Bridges

For the province as a whole we have recommended a clear separation of responsibility for the construction and maintenance of roads and bridges between the Province and the municipalities. The Province is to be entirely responsible for providing the principal highways and bridges or roads which connect municipalities, leaving side roads in rural municipalities as the complete responsibility of municipal governments, with the possibility of sharing arrangements in urban centres. The Province is to be responsible for making the division. As a result of this new division, all municipalities will probably have a reduced financial obligation for roads from what they have at present.

This principle is possibly not capable of application to the roads, streets and bridges of the metropolitan area, where the areas of municipalities are comparatively small and the volume of traffic is so large that a very large part of road planning and road cost problems are truly inter-municipal and not local.

A discussion of planning and financing roads in the Greater Winnipeg area requires clear recognition of a number of factors which exist there and nowhere else in Manitoba. Those factors are:

- (1) Although the area is small, it contains the homes and places of work of more than half the people of Manitoba and more than half of the motor vehicles in the province.
- (2) Traffic congestion is a daily problem as contrasted with the congestion found on outside highways.
- (3) Costs of land acquisition for roads and bridges are extremely high in Greater Winnipeg in comparison with such costs elsewhere in the province.
- (4) The division of the metropolitan area by two large rivers and the necessity for building bridges high enough to meet Federal Government regulations for navigable rivers cause additional expense.
- (5) Almost all travel in the area is inter-municipal. For example, regular daily trips by residents of St. Vital working in the St. James industrial area involve more mileage in St. Boniface and Winnipeg than in either of the municipalities which receive taxes on the home and business properties.

Because of these factors the continuation of shared costs as between the Province and Metro is desirable. It may also be necessary in other urban centres throughout the province.

Our proposal is, therefore, that within the Greater Winnipeg area three categories of roads and highways should be clearly recognized:

- (a) local roads which are to be the responsibility of the local municipality for which there should be no grants from either the Province or Metro;
- (b) Metro roads which are of inter-municipal concern, either because of their location or because of the nature or volume of traffic carried, which would be built and maintained by Metro with substantial financial assistance from the Province; and
- (c) provincial roads for which the Province would pay the full cost of construction and maintenance, which would include the Perimeter Highway and all provincial trunk highways to a point inside the perimeter to be agreed upon.

Before dealing with these road categories, it should be made clear that when we refer to a road or the cost of it we include not only the road itself but also any bridges and approaches necessary to it, and the cost of acquiring the property, building the structures and maintaining the unit thereafter.

Two questions immediately arise. How is the decision to be reached as to which roads fall into each category? How much assistance is the Province to give on Metro roads?

#### Criteria for Distinguishing Local and Metro Streets

We note that the Cumming Commission, at page 22 of its Report, discusses with approval an arrangement by which the Province would have the final decision as to whether any street would be added to the Metro system and whether any street would be dropped from the Metro system and returned to the jurisdiction of the local municipality. We believe this would provide a sound method of separating category (a) and category (b) as described above.

A Metro street system approved by the Province could, at the outset, be considered to be category (b), streets eligible for provincial assistance. Category (a) would include the streets to be left under the control of local councils. If it was proposed that a certain local street should be considered inter-municipal and should receive a grant, an application would be made to Metro and the Province, seeking to have that street transferred to Metro. If this was accepted, the street would fall into category (b) as a Metro street eligible for provincial assistance. Similarly, if one of these streets now in the Metro system was considered not to qualify for provincial assistance, an application would be made to drop it from the Metro system and return it to category (a). Underlying such a system would be the authority of the Province to refuse grants on any street not considered to be of sufficient general concern to become part of the Metro street system.

Difficulties and controversies are bound to arise on this subject. There are some who say that many of the present Metro streets should be returned to

local control. If that is done, it follows that the cost must also fall upon the local taxpayers. On the other hand, expensive local street projects are sometimes claimed to be inter-municipal in the hope that the street will be transferred to Metro so the cost will be lifted from local taxpayers.

We endorse the proposal that changes of street categories between category (a) and category (b) should be made subject to provincial approval. Experience will show whether a formal enquiry by a board will be required for this purpose or whether a decision by the Department will prove satisfactory. In either case it will be advisable to develop a set of criteria which can be applied to any given street, but care must be taken to see that these criteria do not become so rigid as to make it impossible for the Metro street system to change and develop with changing circumstances.

Traffic and highway planning in an urban area is a highly specialized field and your Commission, therefore, offers no comment concerning specific proposals. We do, however, strongly urge that definite arrangements should be made to settle controversies as to whether a given street should be in the Metro system or in the local system. Once that has been settled, we favour clear responsibility, both for planning and financing, so that discussion, delay and controversy can be kept to a minimum.

#### Criteria for Distinguishing Metro Streets and Provincial Highways

The line of demarcation between category (b) and category (c) would also require clarification.

It is suggested that the Province be responsible for all provincial trunk highways to a point one to two miles inside the perimeter highway. It may be that the inner circumferential route proposed by Metro in its major thoroughfare plan could be a guide to a dividing point where Metro would take over from the Province full responsibility for construction and maintenance of provincial trunk highways inside that route thus putting them in category (b). This dividing line should be the subject of agreement between the Metro Corporation and the Provincial Government.

#### Financing of Roads in Greater Winnipeg

The financial arrangement for category (a) roads is clear. They should be fully paid for by the local municipality from local revenues. Similarly, for category (c), the cost should be charged in full to the Province.

In respect to category (b), the Metro street system, the cost should be divided between revenues raised by local taxes and revenues raised by the Province. There does not appear to be any disagreement with this principle in general terms but there may be differences of opinion as to the shares to be paid by each of the two parties.

The policy of the Provincial Government regarding contributions to the cost of Metropolitan roads is set forth in letters dated July 7, 1961 and October 25, 1961 from Premier Roblin to Chairman Bonnycastle, which are reproduced in Appendix IV.

The Corporation provides the Government annually with a list of proposed street and bridge projects for the following calendar year and requests the Government's participation in the cost thereof. The Metro budget is then prepared to reflect the total cost of the projects, and the net cost after deducting the provincial contribution is levied against the area municipalities.

In its brief to your Commission, the Metropolitan Council submitted as its second recommendation, "That the Provincial Government's formula for Metro and Municipal grants for construction and maintenance of bridges and roadways should include cost of land acquisition and should be translated into legislation similar to that which is in effect in Ontario." <sup>1</sup>

We have already made it clear that when we speak of the cost of building a road we include the cost of acquiring the property, building the structures and maintaining the completed unit, and we include not only the road itself but also any bridges and approaches necessary to the project. We propose that in category (a) projects, all these costs should fall on the local council, and in category (c), all these costs should fall on the Province. It is only proper that in category (b), where the costs are to be shared, the sharing should apply to all these costs also. We therefore concur in the request that the cost-sharing should include the cost of land acquisition.

If it is sound that the division of costs between Metro and the Province should be looked at in terms of the sharing of the total cost of roads, both maintenance and construction costs should be included. Once the amount of money required from each has been determined, Metro and the Province would each be responsible for the financial arrangements for raising its share either from current or capital sources. In any such cost-sharing program it is important that definite procedures and rules be established for presenting projects to the Province for its approval, for determining the items of cost to be shared and for settling what road projects are to be recognized and what costs are to be paid.

The only Canadian precedent for such procedure is that in use in Ontario with respect to Metropolitan Toronto. The legislation is set out in Appendix V.

If the proposal of dividing the roads in the Metro area into three categories, (a), (b), and (c), is accepted, with the municipalities bearing the full cost of category (a), the Province the full cost of category (c), and a sharing of the costs of category (b), a reasonable division of full costs for both construction and maintenance of streets in the last category would probably be 50 per cent to be paid by each level of government. This is the cost-sharing arrangement for this category between the Ontario Government and Metro Toronto and was proposed by the Blake-Goldenberg Commission for Metro Winnipeg.

#### Cost of Proposal re Roads and Bridges

We have made no estimate of the cost of this proposal. Construction projects vary from year to year and it may be that our proposal will not make much difference to the Province's share of these projects. The Province in the past has paid the full cost of river crossings exclusive of the cost of land acquisition.

<sup>1</sup> Submission of The Metropolitan Corporation of Greater Winnipeg. p. 1.



By including land and other costs for bridges but only paying 50 per cent, the Province might pay more in some cases but less in others.

Metro's street maintenance costs which would be shareable are approximately one million dollars annually but, as the Province must approve the street systems in category (b), to which it would contribute 50 per cent, it might transfer some of the streets in category (b) to category (a) so that it is impossible to make an estimate of the cost of this arrangement. At present, the Government pays \$1,000 per mile of designated provincial trunk highways for maintenance. This amounts to \$31,000 per year.

With regard to category (c), it is quite possible that the cost to the Province may not be much different than it is now.

### Metro Revenue Sources

The Cumming Commission Report has dealt with the matter of revenues for Metro as it affects the finances of the area municipalities. Our terms of reference direct that we shall consider the financial relations between the Province and the local government units, which include the area municipalities and the Metropolitan Corporation.

Many of our recommendations for changes in powers and responsibilities would have the effect of reducing the costs of local government and would thereby improve the financial position of the cities and suburban municipalities in the Metro area. In addition, our proposal for highway costs in the Metro area would stabilize and possibly reduce the amounts which Metro must levy against the area municipalities.

In the brief submitted to us by the Metro Corporation, the third recommendation states, "That a substantial part of bridge and road costs, after allowing for government grants, should be financed by a tax on the owners of vehicles preferably by a motor fuel tax collected by the provincial government."<sup>2</sup> The same point is discussed in The Report of the Royal Commission on Canada's Economic Prospects, when it reported in 1956, "It was represented to us that an annual tax on motor vehicles would undoubtedly be a substantial revenue producer in the larger municipalities. As a very considerable part of the expenditures for streets, parking facilities and the like are necessitated by the increasing number of motor vehicles, a tax on this form of property seems to be a reasonable way to increase municipal revenue."<sup>3</sup>

We have stated that municipalities should have priority in the use of the tax on real property as their traditional and only appropriate major source of revenue. If their responsibilities are restricted to those which we have recommended, it would seem that an additional source of revenue at this time is not necessary.

<sup>2</sup> Ibid. p. 2.

<sup>3</sup> Preliminary Report, Royal Commission on Canada's Economic Prospects. p. 96.

The Metro Corporation requested the Cumming Commission to consider recommending the abolition of the Province's Motive Fuel Users' Tax as applied to the buses of the Metro Transit System. However, all financial questions between the Province and the Metro Corporation were turned over to your Commission by the Cumming Commission.

We have attempted in our Report to keep exemptions between governments to a minimum, although it is quite true that any sales tax imposed by the Province would probably carry with it some exemptions. At the present time, the Motive Fuel Users' Tax provides for exemptions for vehicles not using the highways. Nevertheless, we have made recommendations which, if implemented, will relieve the realty taxpayer to a considerable extent. The granting of this exemption by the Province to the Metro Corporation amounting to approximately \$250,000 per year should be a decision for the Government to make after considering the effects of our other recommendations. We make no recommendation in this regard.

#### Procedure for Adjustment of Boundaries in the Metro Area.

In Chapter IX, we recommend a procedure for the adjustment of the boundaries of local government units. These adjustments should move in the direction of reducing the number of units by combining smaller ones into larger ones wherever appropriate. For that purpose we have proposed that the Municipal Board should be authorized to change local government boundaries under appropriate conditions. We believe this authority should extend over the whole province and should apply to all the units within the Metro area as well as to the boundaries of Metro itself.

Since we have recommended that this matter should be handled by the Municipal Board, we are refraining from any concrete recommendations for boundary changes in the Metro area. Nevertheless, it does seem advisable that we should suggest a number of guiding principles which we consider to be applicable. In addition, we are suggesting a few specific areas which might be referred to the Municipal Board as soon as jurisdiction has been granted to it.

We believe that the first principle should be that so far as possible there should be coterminous boundaries for local municipalities and school boards within the Metro area, and the outer boundary of Metro should follow municipal boundaries so that there will be no municipalities which are partly in and partly out of Metro. A serious effort should be made to create a more orderly structure, and, in that regard, the objective should be to create coterminous boundaries unless very special circumstances dictate a different structure in a particular location.

We believe that changes in local government boundaries should move in the direction of simplifying local government structures and not in the direction of creating more administrative units or more overlapping jurisdictions. In other words, we believe that a number of local units might be combined either by amalgamating adjoining units or in cases where portions of rural units have begun to acquire urban characteristics by transferring such portions from rural to urban municipalities.

We believe that any areas which are purely rural in character, and which seem likely to remain rural for many years, should be detached from urban municipalities or school districts and from Metro and should be added to adjoining rural municipalities.

As already indicated, we are setting out the above principles as suggested guide lines for future policy and not as fixed and exclusive policy maxims. If the Municipal Board is given the necessary jurisdiction, its experience and study will enable it to evaluate these suggestions and to adopt them or to evolve others in the light of changing circumstances.

Based on the same principle, we offer the following suggestions concerning areas where boundary changes might be considered. It will be noted that some of the locations mentioned are ones which were mentioned as far back as the 1952 Report of the Metropolitan Sub-Committee of the Provincial Municipal Committee, and other locations are ones mentioned in the Report of the Greater Winnipeg Investigating Commission. Others are locations where new circumstances have arisen out of the creation of the secondary school areas, out of the construction of the floodway, out of the growing use of the perimeter highway or out of other recent developments.

This list is not intended to be exhaustive, nor is it intended to mean that we believe that action should be taken in every case. Nevertheless, it does appear to us that at the following locations there are local government boundary complications which would merit careful study by a body having authority and responsibility to take remedial action:

- (1) The portion of the Rural Municipality of Springfield, north of Transcona and west of the floodway, is developing characteristics related to the neighbouring urban units and is isolated by the floodway from the rural part of Springfield. It may be that this area should become part of Transcona or North Kildonan and that a new boundary for Metro should be created to exclude the balance of Springfield.
- (2) The same situation exists in a portion of Springfield south of Transcona and east of St. Boniface where the floodway and the CNR Symington Yard create new conditions in relation to the most appropriate boundaries of Transcona, St. Boniface, Springfield and Metro.
- (3) The Metropolitan Sub-Committee recommended examination of the boundaries of North Kildonan, East Kildonan, East St. Paul, and the part of Winnipeg known as Elmwood to see whether these could be better served as a combined unit. Here again, we believe there is merit in an examination by a body having power to take action.

In introducing this list of areas for consideration, we pointed out that they are offered merely as subjects worthy of study, with no thought that we should prejudice the decision on any particular situation, and on the clear understanding that the list is neither complete nor exhaustive of the many possibilities.

We therefore repeat our recommendations that the Municipal Board be assigned the authority and responsibility to change local government boundaries in appropriate cases.

Map No. 5 shows the existing boundaries of:

Inner Metropolitan Corporation,  
Outer Metropolitan Corporation,  
Area Municipalities, and  
School Divisions.



## CHAPTER XI

## CONCLUSION, IMPLEMENTATION AND SUMMARY

PART A - CONCLUSIONFederal-Provincial Relations

The founding fathers in 1867 adopted a federal system of government as the appropriate means of establishing unity among the diverse peoples and regions of the British North American colonies. After almost 100 years no progress has been made towards simpler unitary forms. A burning question today is whether the divergent interests of Quebec can be contained even in a federal structure.

Accordingly, government in Manitoba must be considered as part of the Canadian federal system. Admittedly, it is a system difficult to operate because of its multiplicity of levels, overlapping jurisdictions and duplication of services with consequent inefficiency, waste and confusion. These difficulties are apparent, particularly in federal-provincial relations, but extend into the field of local government in its relations with the provincial and federal authorities.

Furthermore, in a federal system the relative importance of the central and local governments tends to shift from time to time. During the last war we witnessed a concentration of power in the central government, which, under war-time powers, regulated the most minute details of our lives. This encroachment on the jurisdiction of provincial and municipal governments left them with so little to do and such reduced revenues that they became relatively static. This wartime impotence of the provinces added to the burden of municipalities already extended by the unusual conditions of the pre-war depression.

Today, provincial power is resurgent. The tide has turned away from centralization. Both provinces and municipalities have been trying to catch up with the deficiencies of their wartime inaction. Demands for better education and additional health and social services have steadily increased provincial and municipal spending and competence to handle these new functions. Encouraged by the leadership of Ottawa and by grants-in-aid, all of the provinces have developed an administrative capacity in fields which had been partly usurped by the federal authority. Joint activities by the two levels in the form of shared programs of health and welfare tend to be dissolved in favour of the provinces which have constitutional authority in these fields. Led by Quebec, there is an insistent demand for more independence in administrative responsibility and for a greater share of tax revenues.

In the area of federal-provincial administrative and fiscal problems, we have made no recommendations. Two federal royal commissions, one on taxation and the other on bilingualism and biculturalism, are working in this field. We have been given limited authority to collaborate with the Royal Commission on Taxation, as indicated in the Preface. In addition, several other provincial commissions and committees are studying not only provincial-municipal relations but also the financial problems of their provinces in relation to Ottawa. Our terms of reference do not take us into the latter.

Since we began our studies there have been three changes in federal-provincial fiscal arrangements which have benefitted the provinces. In Chapter VIII we deal with the results of the conference of November, 1963. Since then there has been a further promise of release to the provinces of two per cent of personal income tax in each of the next two years, and an important settlement of a national pension plan, which will have significant fiscal consequences for all the provinces. Although our responsibility in this rapidly changing area is limited, there would seem to be some advantage in withholding our final report until the Canadian Royal Commission on Taxation has reached a point in its deliberations at which there could be effective consultation with its members as to possible conflict in the limited number of matters which may be common to both enquiries.

#### Metropolitan Winnipeg

Another area in which we might have extended our enquiry is that of The Metropolitan Corporation of Greater Winnipeg and the area municipalities. The structure of the Metropolitan Corporation and its relations with the area municipalities was beyond our competence as it had been referred to the Cumming Commission. Perhaps on this account no representations were made to us for reorganizing municipal and school boundaries in the metropolitan area and we have not investigated these problems. By the time the Cumming Report was filed, our studies had been completed and the main lines of our recommendations had been settled. To make specific recommendations for reorganization of metropolitan municipalities and school divisions would necessitate further public hearings. Accordingly, we have limited ourselves to proposing, in Chapter X, machinery by which such changes can be carried out gradually.

#### Unorganized Territory

As will be noted, we have not made specific recommendations with respect to the application of our fiscal proposals to unorganized territory which includes the 17 Local Government Districts and some very important northern communities. Local administration is all under direct provincial supervision, but the residents are taxpayers and the effect on them of our fiscal proposals, for example, for public school costs, has to be considered. This matter and other possible improvements in local administration or organization of this territory we have had to reserve for further consideration in a final report. Meantime, in accepting and applying any of our proposals to organized territory, the Government may find that they have some immediate application to unorganized territory.

#### Principal Recommendations

In the year which has elapsed since your Commission began its hearings, we have concentrated on an objective examination of local government, looking critically at its organization and its proper role at this time of transition to a more complicated industrial society. The most promising area for reform seemed to be in the division of responsibilities between municipal councils and school boards on the one hand, and the Provincial Government on the other. Changes here would have to be followed by changes in the division of available tax revenues. Our attempt has been to rationalize institutions and practices which have grown bit by bit over the last eighty years, more as circumstances required, than in accordance with any long-range program.

## Regional Ideas

### Provincial Decentralized Administration

The regional plan is perhaps the most novel and experimental. It may have the greatest significance in the future. Regionalization of provincial services is already a fact. Each department has its own administrative regions, but departments are not separate governments, although they sometimes give that appearance. They are parts of a constitutional whole which has its focus in the Premier and in the solidarity of the Cabinet. In theory, at least, the administration serves under one direction. In practice, vertical divisions tend to separate each minister and his department from each other minister and department. Each moves out separately into the province.

The ideal, and it may be too ambitious, is to have the whole of the outside provincial service flowing out to the people in one channel and under one control, rather than in separate and possibly conflicting courses. Some reorganization of administration, on horizontal rather than vertical lines, will be necessary. It can only be done, if at all, by the authority of the head of government and with the sustained co-operation of the heads of departments. The idea of having an inter-departmental officer in each regional centre, reporting to the Premier (or Cabinet) instead of to a departmental head, is an experimental idea for the establishment in the branches of that unity of supervision which exists at the centre of government in the office of the Premier and the Executive Council.

Under present organization, each civil servant working out of a regional centre would be responsible to the deputy minister and minister of his own department. There are obvious problems in trying to impose another line of supervision, running through the regional administrator to the Premier and Executive Council. It may be that policy could continue to be departmental and that the administrative practices and organization at the regional centre could be inter-departmental. In any event, it is clear that provincial services, which will be dispensed through the regional office, group themselves naturally across the vertical division of departmental jurisdictions. For example, services to individuals and families, which would have to be related to be effective, would include services rendered by the separate Departments of Health, Welfare and Education, as well as specialties such as physical fitness and athletic programs, recreational services, etc. Services to the economic growth of the region would involve the separate Departments of Agriculture, Industry and Commerce, Mines and Natural Resources, and others. Other related services include such works as highways and drainage and conservation projects. Although it would be difficult, it should not be beyond the ingenuity of the Provincial Government to develop new channels of control and direction of decentralized provincial services which would make out of the regional centre a significant and independent source of all the provincial services which are required locally, without the necessity of travelling to the provincial capital.

### Provincial-Municipal Co-operation

A second novelty in the regional plan is the suggestion that the regional centre can be made a place for co-operation between the provincial administration and municipal administrations in carrying out their separate responsibilities. We have proposed a complete separation of function between the Province and

municipalities. Each will have its own exclusive field. Nevertheless, provincial experts at the regional centre will be able to help municipalities, particularly those who do not maintain regular professional advisors. It is clear also that the regional council, representing the municipalities of the region, will bring together a fund of local knowledge which would be of great assistance to the provincial regional administrator in planning and carrying out the administration of provincial services in the region. We have not attempted to forecast in detail how this potential liaison can be developed and used. It seems to have such a potential that in time it might grow into an important aid to the Province in carrying out its constantly developing responsibilities.

Where definite machinery of provincial-municipal administration is required, such as in the proposed regional hospital committee, it will be easy to set up such machinery for any particular service because of the existence of the regional council, representative as it will be of all municipalities in the region. This kind of regional committee could be formed not only for the administration of services provided by the Province alone, but also for services provided by the Federal Government or by the Federal and Provincial Governments in co-operation.

#### Inter-Municipal Function

The third potential of regional organization is equally novel and important. In the absence of county organization, there has been no machinery for co-operation in carrying out inter-municipal works and projects. Of course, the proposed region is not a county; it has no power to levy on the municipalities and we do not expect or hope that it should become an extra level of government with taxing powers. However, the regional council will provide a forum in which two or more municipalities can develop and agree upon joint works. In the absence of agreement, machinery is provided to bring in the advice and judgement of the Municipal Board. These plans, of course, will be carried out, not by the regional council, which is not an executive body nor even an initiating body, but by the municipalities concerned and at their expense in proportions settled by agreement, or by the Municipal Board.

#### Reorganization Within Regions

Finally, the existence of regional organization will compensate to some extent for the immediate deficiencies of small municipalities, and make it possible for the process of reorganization of municipalities into larger units to go forward in a deliberate and orderly manner under the jurisdiction of the Municipal Board. It will be unnecessary to force the pace. Desirable changes can be made when they become acceptable.

#### The Byrne Report

We have read with interest the Report of the New Brunswick Royal Commission on Finance and Municipal Taxation which was published last February. While we agree with many of its principal recommendations and particularly its assignment to the Province of administrative and financial responsibility for the general services of health, welfare and public school education, we differ in regard to the role of local government.



Instead of a Public School Commission under indirect control of the Legislature, we favour direct control of public schools by the Provincial Department of Education, assisted by reformed local school boards. The latter are preferable to provincial district administrators.

Instead of the establishment of a Social Welfare Commission, also under indirect control of the Legislature, we favour direct administration by provincial departments under the political responsibility of the Provincial Government and operating through regional offices at which the assistance and advice of local authorities can be utilized.

Their proposed Hospital Commission and health service administration by the Department of Health seem to be more in line with our views except that we place more value on local participation in regional hospital administration.

We also reject their proposal of a Municipal Affairs Commission to collect real property taxes and to tutor and support residual municipal institutions, in favour of reconstituted and enlarged municipalities with exclusive functions and independent tax resources, co-operating with each other and with the Province through regional centres.

Their decision to increase the retail sales tax to relieve real property taxpayers is in line with our views.

#### Municipal Councils and School Boards

In suggesting the need for reorganization of the functions and boundaries of municipalities and school boards, we have not intended to be critical of the many devoted men and women who are serving as councillors and trustees. On the contrary, the willingness of so many public-spirited citizens to give their time and energy to municipal or school administration, with inadequate compensation, if any, for their time and expense, and with no other reward than the satisfaction of a job well done, has made it possible for an outdated system to function with reasonable success. Some of the municipalities, which in principle are too small to be viable, have done very well. Many isolated district school boards have provided educational services, even if they did not reach the highest standards.

The transfer to the school division of financial responsibility for elementary schools should not be difficult nor take long. On the other hand, the consolidation of small school districts need not move in advance of local opinion. Consolidation will be easier and more attractive under the new scheme, and all district trustees would do well to consider the application of this Report to their own circumstances and to become advocates of any consolidation which will improve the educational services available to their children.

The enlargement of boundaries by amalgamation of rural municipalities is long overdue. It need not be hurried if the regional organization is established, but every municipal councillor should give serious thought to the cause of better local government, even at the expense of his own personal interests, by giving a lead to public opinion. It will take initiative of this kind to establish larger municipalities and to bring municipal and school boundaries into line.

## Taxation

A final solution to tax problems is not to be expected. By transferring \$14 to \$15 million from real property taxpayers, to sales taxpayers there is no overall saving. By proposing limits to future taxation of real property, there is no guarantee that the limits will not be broken.

The future of the home owner and residential taxpayer, who deserves the most consideration, is in the hands of school boards and municipal councils.

To maintain the average reduction of nine mills for the whole province, school boards should curtail their special levies for educational services and facilities, in excess of the good standard foundation program which will be available in all districts and divisions without special levy. By doing so, they give municipal councils some leeway to improve their services at the reduced tax levels.

Likewise, municipal councils should not let their expenditures outpace the growth of rateable assessment. If they regard, as theirs to spend, the whole reduction in real property taxation, and rush in to use it, our efforts will have been in vain. We urge every councillor and every elector to learn this lesson. The Province and provincial taxpayers should not and cannot be expected to rescue them from their own extravagance.

One further tax recommendation must be mentioned, namely, the removal of the present exemption of farm buildings and of one-third of the value of other buildings. We are aware from the hearings that many farmers have a deep-seated prejudice against this rationalization and equalization of real property taxation, by establishing the value of the whole property which is bought and sold as a unit, as the base for the real property tax. We have satisfied ourselves that this desirable reform, if applied throughout the municipalities and the province at one time, will not increase total taxation nor change the burden of the tax as between owners of rural and urban property to any harmful degree. In fact, there is every prospect that farm taxpayers will be relatively better off. Farmers should study Part D of Chapter VI and help to prepare an enlightened opinion on this subject which will make the change politically feasible.

## Acceptance

We are naturally hopeful that our recommendations will find favour with the Government and people of the province. We hope that our ideas are within the realm of practical politics, but they have been developed upon principle rather than with an eye to possible popularity, and in the belief that what is right will also be found to be possible. In democratic societies changes have to be acceptable, and the democratic process is slow. Even the best ideas must wait on understanding.

It often happens that the report of any single-purpose commission in the field of government organization and taxation is too full of facts, figures and recommendations to be put into effect at one time. If our general ideas for re-division of responsibilities, for regional administrative centres to co-ordinate the local services of provincial departments and make them effective, for a new type of provincial-municipal co-operation and for improved inter-municipal relations are accepted as a sort of master plan, a foundation will have been

laid upon which to build a more detailed structure, taking time to experiment and to modify.

We realize that there is much detail to be filled in, even though we have attempted to foresee the consequences of our major recommendations and have dealt with many specific, and even minor, proposals which have been presented to us. Perhaps we have gone too much into details unrelated to the overall program. Some of the minor problems are capable of solution in different ways. In this process of adding detail to the structure, continuing supervision by the Municipal Board and special committees or conferences will be needed to work out the enlargement of municipalities, the consolidation of school districts and the planning of regional organization.

## PART B - TENTATIVE TIMETABLE

While recognizing that the time schedule for carrying out such of our recommendations as are adopted is for the Government to settle, we suggest a possible sequence to give early effect to the major proposals.

### 1964

#### Legislation

- to provide for a consumer purchase and use tax (retail sales tax) to come into effect on 1 January or early in 1965 so as to put the Province in funds for the calendar year 1965

### 1964-65

#### Legislation

- to transfer fiscal and proposed administrative responsibility for elementary schools to division school boards
- to provide for proposed new 'Foundation Program' and division of costs of public schools
- to transfer from municipalities to the Province the proposed responsibilities for health, social welfare, roads, bridges and drainage works
- to reform business tax
- to provide for proposed regional organization
- to accept as policy the removal of exemptions on farm buildings and remaining one-third exemption on other buildings in 1967-68, and to initiate reassessment of farms in preparation
- to give the Municipal Board proposed jurisdiction over amalgamation of municipalities, consolidation of schools, etc.

### 1965

#### Fiscal Changes to be made simultaneously

- Province receives retail sales tax revenues
- municipal taxpayer relieved of part of public school costs, health and social welfare costs and part of road and drainage costs as proposed
- grants in lieu of taxes on Crown property to be paid to municipalities



1965Fiscal Changes to be made simultaneously (cont'd)

- unconditional grants to municipalities to be withdrawn
- municipalities to assume assessment and planning costs

Organization

- of regional boundaries and centres
- of regional councils
- of regional hospital, health and other committees

1965 or laterOrganization

- the enlargement of municipalities which should be a gradual and continuous process under the supervision of the Municipal Board
- the consolidation of school districts proceeding gradually in the same manner as municipal amalgamations
- the gradual elimination of overlapping school and municipal boundaries when an opportunity presents in any amalgamation or consolidation proceeding.

1967-68Organization

- simultaneous removal of exemption from assessment for taxation of farm buildings and remaining one-third of the value of other buildings

We consider the above timetable to be realistic and attainable and, therefore, have not proposed any program of transitional grants to assist municipalities in the interval of carrying out our recommendations. We have some apprehension that if transitional subsidy payments are made to relieve municipal taxpayers prior to implementation of the full program, they would tend to become permanent and be accepted as a substitute for more comprehensive reform.

## PART C - SUMMARY

For the convenience of those who may not have the time to read the detailed recommendations or the full text, we conclude this Report with a brief summary of its principal propositions.

(1) The Province should assume the remaining financial responsibilities of the municipalities for social welfare and personal health services and should also assume most of the administrative responsibility for these services. (Chapter III)

(2) The Province should assume complete financial and administrative responsibility for the construction and maintenance of a larger and defined mileage of the roads and of main bridges, leaving as the exclusive responsibility of municipalities a residue of local streets, side roads and minor bridges, the costs of construction and maintenance of which will not require the expenditure by municipalities of a greater proportion of their resources on the average than they are now spending on this account. (Chapter III)

(3) The Province should assume a greater share of the cost of public schools by paying all of the costs of the foundation program remaining after a levy on real property, uniform throughout the province, of approximately 13 mills. By 'foundation program' is meant the acceptable minimum standard of public school education, defined in terms of instruction, supplies, library material, administration, maintenance and transportation, which should be made available in all settled parts of the province. (Chapter V)

(4) Public school costs in excess of the foundation program should continue to be levied against real property by division school boards at uniform rates throughout the school division (this includes both elementary and secondary education). (Chapter V)

(5) Municipalities, relieved of these general services, and with greater access to the real property and business tax, should be able to provide their other traditional and local services independently of all provincial subsidies. (Chapter VII)

(6) Conversely, the tax on real property is, and should continue to be, the appropriate and only major municipal source of tax revenues. (Chapter VI)

(7) The rate of tax on real property for all purposes should be reduced by this program to an average for the province of about two per cent annually of the capital or market value of the property taxed, but of course will be below this level in some and above it in other municipalities, including some which are not economic in size or resources. This rate, plus a business tax on commercial and industrial property of not more than 45 per cent of the real property tax, should be regarded as a target maximum level for the real property tax. Deterrents to exceeding the proposed limit should be considered and if the real property tax should again rise generally throughout the province above this level, the Provincial Government will have to re-examine local fiscal arrangements. For this purpose we regard as essential the review committee of provincial, municipal and school representatives, reporting every two or three years on the public school 'foundation program' in relation to current costs. (Chapter VI)

(8) In taxing real property for municipal purposes most of the existing exemptions, including the exemption of farm buildings and the one-third exemption of other buildings, should be withdrawn so that each property will be assessed for taxation as a unit of value comprising land and improvements without deduction. If, after reassessment of farm properties, the withdrawal of the present exemption of farm buildings is made at the same time as the removal of the one-third exemption from other buildings, the change in the incidence of taxation as between rural and urban taxpayers will be negligible. (Chapter VI)

(9) The Province should pay to the municipalities the equivalent of the normal real property tax on Crown property and the properties of Crown agencies, with a limit of the grant to any one municipality of an amount equal to five per cent of its total tax revenues. (Chapter VI)

(10) Assessment staff should be increased and procedures improved. The entire cost of assessment and planning should be borne by the municipalities. (Chapters III and VI)

(11) The consequential relief to real property taxpayers and the additional charge on provincial revenues, after adjusting accounts between the Province and municipalities in accordance with the foregoing recommendations, is estimated to be about \$14 million for the calendar year 1965, which is presumably the first year in which effect could be given to these proposals. (Chapters VII and VIII)

(12) Assuming that the present revenues of the Province are only sufficient to meet its present responsibilities, such additional sum could be raised equitably and with better economic effect by a provincial tax on consumption and use, commonly called a retail sales tax, than by increasing any other existing tax. No other unused source for such additional revenues is practicable at this time. Appropriate exclusions and exemptions from a general tax on the consumption and use of goods is necessary to make such a tax equitable. (Chapter VIII)

(13) Provincial departmental services now administered locally, together with the administrative responsibilities to be taken over from the municipalities, should be co-ordinated and rationalized by the establishment of approximately eleven regions, each region having its administrative centre. (Chapter IV)

(14) These regional divisions should also be used for:

- (a) the better organization of inter-municipal works and co-operation;
- (b) liaison between the municipalities and the departments of provincial administration; and
- (c) co-ordination of joint provincial-municipal activities such as hospital and health units and joint federal-provincial-municipal activities. (Chapter IV)

(15) Division school boards should be given financial responsibility for elementary public school education and most of the administrative responsibility, leaving the school district boards with advisory powers only, except for maintenance and use of school property, the selection of teachers and the statutory supervision of religious instruction. (Chapter V)

(16) The Municipal Board is proposed as a suitable permanent Commission to supervise and provide a ready means of readjusting boundaries of municipalities and school districts and divisions, with a view to a more rational territorial organization of local government and the elimination of over-lapping jurisdictions and boundaries between municipalities and school divisions. (Chapters V and IX)

(17) Tentative plans to illustrate the proposed regional divisions and the enlargement of municipalities have been described and incorporated into maps as a basis for discussion. (Chapter IV and Maps)

(18) Although the foregoing proposals are intended to be of general application, they have been modified to fit The Metropolitan Corporation of Greater Winnipeg and the area municipalities. (Chapter X)



## APPENDIX I

## STATISTICAL SCHEDULES

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- Schedule 2. - Municipal Taxation by Province as Per Cent of Personal Disposable Income 1933, 1937, 1939, 1941, 1943 - 1962
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## APPENDICES



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**SCHEDULE I. - MUNICIPAL TAXATION BY PROVINCE**  
**AS PER CENT OF PERSONAL INCOME**  
 1933, 1937, 1939, 1941, 1943 - 1962

Year	Nfld.	P. E. I.	N. S.	N. B.	Que.	Ont.	Man.	Sask.	Alta.	B. C.	Provincial Average	Rank of Manitoba			Manitoba Compared with Provincial Average
												Amongst Ten Provinces	Amongst Six Provinces from Quebec West to B. C.	Amongst Three Prairie Provinces	
	%	%	%	%	%	%	%	%	%	%	%				%
1933		2.8	6.5	6.4	8.1	10.1	10.7	11.2	11.7	8.9	9.4	3	3	3	+ 1.3
1937		2.1	5.2	5.6	6.4	7.5	7.0	7.5	6.9	6.5	6.9	3	3	2	+ 0.1
1939		2.1	5.3	5.4	6.4	6.9	7.7	6.5	7.2	6.4	6.6	1	1	1	+ 1.1
1941		2.0	4.0	4.8	5.3	4.9	5.6	6.5	5.9	5.0	5.1	3	3	3	+ 0.5
1943		1.6	3.0	2.9	3.9	3.5	4.3	5.7	5.1	3.6	3.8	3	3	3	+ 0.5
1944		1.4	2.7	2.7	3.7	3.3	3.9	3.1	3.6	3.4	3.4	1	1	1	+ 0.5
1945		1.4	2.7	2.7	3.8	3.0	4.0	4.0	4.0	3.3	3.4	1 (tie)	1 (tie)	1 (tie)	+ 0.6
1946		1.5	2.6	2.6	N.A.	3.2	3.8	3.8	3.6	3.3	3.3	1 (tie)	1 (tie)	1 (tie)	+ 0.5
1947		1.7	2.9	2.8	N.A.	3.4	3.8	4.2	4.0	3.5	3.5	3	3	3	+ 0.3
1948		1.8	3.1	2.9	N.A.	3.4	3.8	4.0	3.8	3.2	3.4	2 (tie)	2 (tie)	2 (tie)	+ 0.4
1949	1.0	1.5	3.0	3.1	N.A.	3.5	4.1	4.1	4.3	3.4	3.6	2 (tie)	2 (tie)	2 (tie)	+ 0.5
1950	1.0	1.6	3.0	3.2	N.A.	3.6	4.1	4.8	4.4	3.4	3.7	3	3	3	+ 0.4
1951	1.3	1.8	3.3	3.3	3.9	3.8	4.2	3.6	3.8	3.3	3.7	1	1	1	+ 0.5
1952	1.5	1.9	3.5	3.7	3.9	4.0	4.3	3.6	4.0	3.4	3.9	1	1	1	+ 0.4
1953	1.4	2.1	3.4	4.1	4.0	4.0	4.4	4.4	4.3	3.4	4.0	1 (tie)	1 (tie)	1 (tie)	+ 0.4
1954	1.4	2.2	3.5	4.1	4.3	4.3	4.8	6.7	5.0	3.8	4.4	3	3	3	+ 0.4
1955	1.4	2.5	3.6	4.3	N.A.	4.4	4.8	5.7	4.7	3.8	4.4	2	2	2	+ 0.4
1956	1.4	2.4	3.7	4.2	4.4	4.6	4.7	5.0	4.5	3.7	4.4	2	2	2	+ 0.3
1957	1.5	2.6	3.8	4.6	4.5	4.7	5.0	6.6	5.1	4.1	4.7	3	3	3	+ 0.3
1958	1.7	2.4	3.8	4.7	4.7	4.8	4.6	6.5	5.0	4.6	4.8	5 (tie)	5 (tie)	3 (tie)	- 0.2
1959	1.7	2.3	4.0	4.8	5.3	5.1	4.8	6.5	5.2	4.9	5.1	6	6	3	- 0.3
1960	1.7	2.4	4.3	4.7	5.6	5.5	5.0	6.1	5.6	5.3	5.4	6 (tie)	6 (tie)	3	- 0.4
1961	1.6	3.0	4.4	4.9	5.4	5.6	5.5	7.4	5.6	5.3	5.5	4	4	3	same
1962	1.5	3.1	4.5	5.0	5.3	5.5	5.1	5.5	5.6	5.4	5.3	6	6	3	- 0.2

Note: Personal Income figures include only that income attributable to persons liable to pay municipal taxes and excludes estimated portion of personal income of persons living in unorganized territory and on Indian reserves.



SCHEDULE I - MUNICIPAL TAXATION BY PROVINCE  
AS PER CENT OF PERSONAL INCOME  
1933, 1937, 1939, 1941, 1943 - 1962 (Continued)

Schedule 1, page 2.

NOTES: The above calculations are based on a comparison between (1) municipal taxes and (2) personal income. Following are some notes on the methods employed:

- (1) **Municipal Taxes:** The figures for the years 1933, 1937, 1939, 1941 and 1943 are taken from "Comparative Statistics of Public Finance 1933, 1937, 1939, 1941, 1943," Section V, Dominion-Provincial Conference on Reconstruction. No adjustments were made to these figures. It is important to note that these figures generally represent tax collections rather than levies. (They do, however, represent levies in the case of Nova Scotia for 1937 and 1939, New Brunswick for all 5 years and Quebec for all 5 years with respect to cities and towns.) This could produce quite a distortion in comparison with later years when levies only are used but appears to have done so only in Saskatchewan where collections were abnormally low in 1933 and 1937 and then abnormally high in 1943 when many property owners were paying off tax arrears. The figures for the years 1944-62 represent tax levies in all cases and are taken from D. B. S. Catalogue 68-204 (annual), "Financial Statistics of Municipal Government, Revenue and Expenditure." One adjustment was made here; tax levies for Local Government Districts in Manitoba were included commencing with the year 1952. These figures were supplied by the Province. It was felt particularly desirable to include Local Government Districts since D. B. S. revenue statistics for Saskatchewan include Local Improvement Districts and for Alberta include Improvement Districts.
- (2) **Personal Income:** The figures are based on personal income by provinces as shown in Table 28 or D. B. S. "National Accounts Income and Expenditure." However, two adjustments are made to the D. B. S. data as follows:
  - (a) An estimate has been made of the amount of personal income in each province attributable to persons living in unorganized territory or on Indian reserves (who do not pay municipal taxes) and the income attributed to such persons has been deducted from the D. B. S. figure. The estimate of personal income for persons living in unorganized territory and Indian reserves was made as follows:
    - (i) The exact population of unorganized territory and of Indian reserves for the 1931, 1941, 1951, 1956 and 1961 censuses was tabulated from D. B. S. Catalogue 92-539, "1961 Census of Canada, Population, Historical, 1901-1961," Bulletin 1. 1-10.
    - (ii) The population of unorganized territory and of Indian reserves for inter-census years was estimated by interpolation from the census years.
    - (iii) The personal income of persons living in unorganized territory was estimated for each province on the assumption that the average per capita personal income of such persons in each province was 80% of the provincial average except for Nfld. where 66 2/3% was used. (These percentages were used after consideration of unpublished 1961 census statistics on average family earnings of wage earner families in census districts in parts of Canada where unorganized territory is most common.)

**SCHEDULE 1 - MUNICIPAL TAXATION BY PROVINCE**  
**AS PER CENT OF PERSONAL INCOME**  
 1933, 1937, 1939, 1941, 1943 - 1962 (Continued)

- (iv) The personal income of persons living in Indian reserves was estimated for each province on the assumption that the average per capita personal income of such persons in each province was 33 1/3% of the provincial average. (This percentage was used after consideration of unpublished 1961 census statistics on average family earnings of wage earner families on selected Indian reserves across Canada. The relatively low proportion of wage earner families to total families was also taken account of as well as unpublished statistics on the proportion of Indian families in Canada in receipt of welfare assistance during the course of a recent year.)
- (b) D. B. S. figures for personal income for the Province of British Columbia for years previous to 1951 include the Yukon and Northwest Territories. An estimate was made of the personal income attributable to the Yukon and Northwest Territories and this was deducted from the combined total to give a residual estimate for B. C. only. The estimate of personal income for these Territories was made as follows:
- (i) The population of the Territories was listed using census figures where applicable and interpolated figures for other years.
  - (ii) The per capita income of the Territories was estimated for each year using 62.9% of the per capita value for B. C. and the Territories combined. The percentage of 62.9 is the actual percentage relationship in 1951, the first year for which separate figures are published by D. B. S.
  - (iii) The personal income of the Territories is the product of (i) x (ii).

**COMMENT:**

In interpreting the above Schedule account should be taken of the following factors:

- (1) The indicated difference in tax burden between the provinces may be largely owing to differences in municipal services provided. This is clearly the case with Newfoundland and Prince Edward Island. These two provinces consistently show a much lower burden of municipal taxation than the other 8 provinces which are now grouped relatively closely together. However, in Newfoundland, education is almost never a municipal service and some other normal municipal services are provincially supplied such as police protection and, to some extent, fire protection. Similarly in P. E. I. for most of the Province education is the only municipal service. Other examples of less importance exist for the other provinces. Thus in Nova Scotia municipalities are required to contribute toward the cost of mental institutions while in Alberta municipalities must make a substantial contribution toward hospital insurance which perhaps explains why Alberta now has one of the highest burdens of taxation. Another service where substantial differences exist is administration of justice. A further difference in the local cost of services borne by taxation may, of course, arise from varying systems of provincial grants to local government. The conclusion here is obvious; the above Schedule indicates differences in the burden of municipal taxation but does not explain these differences.

SCHEDULE I - MUNICIPAL TAXATION BY PROVINCE  
AS PER CENT OF PERSONAL INCOME  
1933, 1937, 1939, 1941, 1943 - 1962 (Continued)

Schedule 1, page 4.

- (2) Some year to year bias exists within individual provinces as a result of legislative changes by senior levels of government which changes have the effect of taking away a municipal tax source and replacing it by a system of provincial grants. Total municipal revenues within a province may be unaffected by such a change or even increased but municipal tax revenues will decline and the result in the above Schedule will be that municipal tax burden of the province will show a year to year change which is not truly representative. Two principal changes of this type may be cited:
- (a) Early in the last war the federal government took over the whole income tax field with the provinces renting their interest in the field to the federal government. One condition of the rental agreements was that the provinces would not permit the municipalities to impose an income tax. The result of this was a rather substantial reduction in tax revenues for municipalities in the Atlantic Provinces notwithstanding the fact that the municipalities concerned were compensated by the provinces by means of grants.
  - (b) Prior to July 1, 1961, school authorities in Quebec could impose a 2% retail sales tax and the use of such a tax by these authorities was widespread. As of July 1, 1961 this privilege has been withdrawn and the Province has instead imposed a province-wide 2% tax for education purposes (in addition to a 2% rate for general provincial purposes) and distributed the proceeds to the school authorities in the form of grants. As a result of this D. B. S. statistics for Quebec show a reduction in municipal sales tax revenues from \$89,600,000 in 1960 to \$59,213,000 in 1962. (The remaining municipal revenues from this source in Quebec are imposed by general purpose - that is, non-school-municipal authorities.) This change accounts entirely for the apparent decline in burden of municipal taxation in Quebec from 1960 to 1962. However, beginning with 1962 Quebec is more comparable with the other provinces.
- (3) Some bias exists in the above Schedule because of problems created by unorganized territory. One problem is that there are, in several provinces, units of government which are quasi-municipal in nature and which can be properly classed as either organized or unorganized territory. The general rule followed for purposes of this Schedule is that if D. B. S. includes revenues of a given class of municipality in its revenue statistics, then the population of such class of municipality is included in this study as organized territory and the estimate of personal income, for purposes of calculating tax burden, includes the personal income of the population of such class of municipality. Apart from school authorities, the types of authority currently included by D. B. S. are as follows:
- |          |   |
|----------|---|
| Nfld.    | Cities, towns, rural districts, local improvement districts, community councils.  |
| P. E. I. | Cities, towns, villages.  |
| N. S.    | Cities, towns, villages, municipalities (counties), commissions, special areas, districts, joint expenditure boards.  |
| N. B.    | Cities, towns, villages, counties, commissions, local improvement districts.  |
| Que.     | Cities, towns, villages, townships and parishes, municipalities without designation, counties, Metropolitan Montreal.   |
| Ont.     | Cities, towns, villages, townships, counties, improvement districts, Metropolitan Toronto.  |
| Man.     | Cities, towns, villages, rural municipalities, Metropolitan Winnipeg.   |
| Sask.    | Cities, towns, villages, rural municipalities, local improvement districts.   |
| Alta.    | Cities, towns, villages, municipal districts, counties, improvement districts, special areas.   |
| B. C.    | Cities, towns, villages, districts, metropolitan water districts of Vancouver, Victoria and Nanaimo, metropolitan sewerage and drainage districts at Vancouver and Nanaimo. |

SCHEDULE 1 - MUNICIPAL TAXATION BY PROVINCE  
AS PER CENT OF PERSONAL INCOME  
1933, 1937, 1939, 1941, 1943 - 1962 (Continued)

The above coverage is very broad. It would be even more suitable for purposes of measuring tax burden if it included other taxing authorities. The most conspicuous omissions are Local Government Districts in Manitoba and Improvement Districts in B. C. We have been able to add in revenue figures for Local Government Districts, as noted above, and have therefore ended with a minimum of unorganized territory for which personal income has been estimated and deducted.

A second problem relating to unorganized territory was less easy to solve. In most provinces, possibly all except Nova Scotia and New Brunswick, there are some areas which are organized for school purposes, or for some other special purposes, but which are not organized to provide general municipal services. D. B. S. population statistics are compiled in such a way that territory is classified as unorganized unless it is organized for general municipal purpose. This classification was followed in the calculations for the above Schedule except for Prince Edward Island. Prince Edward Island is the only Province where this matter is likely to be of any significance. In this province less than half of the provincial population is organized for general municipal purposes but the entire population, or almost all of it is organized for school purposes. Since school taxes account for well over half of total municipal tax revenues in P. E. I. it seemed desirable, for purposes of the above Schedule, to consider the entire population of the province to be organized except, of course, for Indian reserves. The following census figures for P. E. I. indicate the significance of this decision for our calculations for P. E. I.

Census Year	P. E. I. Population Organized for School Purposes Only <sup>1</sup>	P. E. I. Population Organized for School Purposes only as Per Cent of Total P. E. I. Population	
		No.	%
1931	67,555	67,555	76.73
1941	70,487	70,487	74.16
1951	70,579	70,579	71.71
1956	61,507	61,507	61.95
1961	60,957	60,957	58.26

1 This population consists of total provincial population minus population organized for general municipal purposes and minus Indian reserves. It is understood that all, or virtually all, such residual population is organized for school purposes. Exact data are available.

A third problem for unorganized territory also concerns Indian reserves; this is the estimation of personal income for the population resident in such areas. The method used was explained above and is, of course, a rough approximation. The resulting error is likely to be significant only in those provinces with a high proportion of population living in unorganized territory and in Indian reserves. Only two provinces fall into this category - Nfld. and B. C. Following is an analysis of the 1961 census population by provinces indicating the relative importance of unorganized territory and Indian reserves.



Schedule 1, page 6.

**SCHEDULE 1 - MUNICIPAL TAXATION BY PROVINCE**  
**AS PER CENT OF PERSONAL INCOME**  
 1933, 1937, 1939, 1941, 1943 - 1962 (Concluded)

Province	Population of Territory Organized for General Municipal Purposes (other than Indian Reserves) <sup>1</sup>	Population Living in Unorganized Territory (other than Indian Reserves)	Population Living in Indian Reserves (including Reserves within municipal boundaries)	Total Population 1961 Census
Nfld.	215, 871	241, 982	0	457, 853
P. E. I.	104, 407	0	222	104, 629
N. S.	734, 207	0	2, 800	737, 007
N. B.	595, 270	0	2, 666	597, 936
Que.	5, 168, 396	77, 112	13, 703	5, 259, 211
Ont.	6, 111, 722	97, 920	26, 450	6, 236, 092
Man.	893, 978	7, 360	20, 348	921, 686
Sask.	896, 838	7, 752	20, 591	925, 181
Alta.	1, 314, 490	0	17, 454	1, 331, 944
B. C.	1, 312, 279	286, 061	30, 742	1, 629, 082
Total	17, 347, 458	718, 187	134, 976	18, 200, 621

<sup>1</sup> The P. E. I. population in this column also includes persons living in territory organized for school purposes only. The Manitoba population in this column includes Local Government Districts.

(4) Schedule 1 measures tax burden on the basis of personal income only. This is inadequate since a considerable proportion of municipal taxes is paid from corporation income. It can be shown that the effect of this in the above comparison of the 10 provinces is to overstate the burden of taxation in Ontario and Quebec and to understate it in the other 8 provinces. An attempt to allow for corporate income is made in Schedule 3 but only for the year 1961.

**SCHEDULE 2. - MUNICIPAL TAXATION BY PROVINCE  
AS PER CENT OF PERSONAL DISPOSABLE INCOME  
1933, 1937, 1939, 1941, 1943 - 1962**

Year	Nfld.	P. E. I.	N. S.	N. B.	Que.	Ont.	Man.	Sask.	Alta.	B. C.	Provincial Average	Rank of Manitoba			Manitoba Compared with Provincial Average
												Amongst Ten Provinces	Amongst Six Provinces from Quebec West to B. C.	Amongst Three Prairie Provinces	
	%	%	%	%	%	%	%	%	%	%	%				%
1933		2.8	6.7	6.7	8.3	10.4	10.9	11.4	12.0	9.1	9.6	3	3	3	+ 1.3
1937		2.1	5.3	5.8	6.6	7.7	7.1	7.6	7.0	6.7	7.1	3	3	2	same
1939		2.1	5.4	5.6	6.6	7.1	7.9	6.5	7.3	6.6	6.8	1	1	1	+ 1.1
1941		2.1	4.1	5.1	5.6	5.2	5.8	6.6	6.1	5.3	5.4	3	3	3	+ 0.4
1943		1.7	3.3	3.1	4.3	3.9	4.6	5.8	5.4	4.0	4.2	3	3	3	+ 0.4
1944		1.5	3.0	3.0	4.1	3.7	4.3	3.2	3.8	3.8	3.7	1	1	1	+ 0.6
1945		1.5	2.9	2.9	4.2	3.4	4.3	4.2	4.2	3.7	3.7	1	1	1	+ 0.6
1946		1.5	2.8	2.8	N.A.	3.6	4.1	3.9	3.8	3.7	3.6	1	1	1	+ 0.5
1947		1.7	3.0	2.9	N.A.	3.8	4.1	4.4	4.2	3.8	3.8	3	3	3	+ 0.3
1948		1.9	3.2	3.1	N.A.	3.7	4.0	4.2	4.0	3.5	3.7	2 (tie)	2 (tie)	2 (tie)	+ 0.3
1949		1.5	3.2	3.3	N.A.	3.7	4.3	4.3	4.5	3.7	3.8	2 (tie)	2 (tie)	2 (tie)	+ 0.5
1950	1.0	1.6	3.1	3.3	N.A.	3.6	4.3	5.0	4.6	3.6	3.9	3	3	3	+ 0.4
1951	1.4	1.9	3.5	3.4	4.1	4.2	4.4	3.8	4.0	3.6	4.0	1	1	1	+ 0.4
1952	1.6	2.0	3.7	4.0	4.2	4.4	4.6	3.8	4.3	3.7	4.2	1	1	1	+ 0.4
1953	1.5	2.2	3.6	4.4	4.3	4.4	4.7	4.6	4.6	3.8	4.3	1	1	1	+ 0.4
1954	1.5	2.3	3.7	4.4	4.6	4.7	5.2	7.3	5.4	4.1	4.7	3	3	3	+ 0.5
1955	1.5	2.6	3.8	4.4	N.A.	4.8	5.1	6.0	5.0	4.1	4.7	2	2	2	+ 0.4
1956	1.5	2.5	3.9	4.4	4.8	5.0	5.1	5.2	4.8	4.0	4.8	2	2	2	+ 0.3
1957	1.6	2.7	4.0	4.9	4.9	5.2	5.3	7.1	5.6	4.5	5.1	3	3	3	+ 0.2
1958	1.8	2.5	4.0	5.1	5.0	5.2	5.0	7.0	5.4	5.0	5.1	5 (tie)	4 (tie)	3	- 0.1
1959	1.8	2.4	4.2	5.1	5.7	5.6	5.2	6.9	5.6	5.4	5.6	6	6	3	- 0.4
1960	1.8	2.5	4.6	5.0	6.1	6.1	5.4	6.5	6.1	5.8	5.9	6	6	3	- 0.5
1961	1.7	3.1	4.6	5.2	5.9	6.2	6.1	8.1	6.1	5.8	6.0	3 (tie)	3 (tie)	2 (tie)	+ 0.1
1962	1.6	3.2	4.8	5.3	5.7	6.2	5.6	5.9	6.1	6.0	5.9	6	6	3	- 0.3

Note: Personal Disposable Income figures include only that income attributable to persons liable to pay municipal taxes and excludes estimated portion of personal disposable income of persons living in unorganized territory and on Indian reserves.

SCHEDULE 2 - MUNICIPAL TAXATION BY PROVINCE  
AS PER CENT OF PERSONAL DISPOSABLE INCOME  
1933, 1937, 1939, 1941, 1943 - 1962 (Concluded)

Schedule 2, page 2.

NOTES:

The notes and comments to Schedule 1 are fully applicable to Schedule 2 except that 'personal disposable income' should be substituted for 'personal income' where it appears. Also the source of statistics on personal disposable income in Table 30 of the National Accounts rather than Table 28. The method of estimating personal disposable income for residents of unorganized territory and Indian reserves is exactly the same. This is not theoretically correct. Thus, if residents of unorganized territory have 80% of the personal income of the provincial average, their share of personal disposable income, owing to the progressive rates of income taxation, should be slightly higher. The same is true with respect to Indian reserves. However, the factor of four-fifths for unorganized territory and of one-third for Indian reserves was only an approximation and it seemed appropriate to use the same factors for both Schedules. The only other difference between the two sets of calculations concerns the estimate of personal disposable income for B.C. for years previous to 1951. In the calculation of personal disposable income per capita for the Territories a factor of 65.3 was used in place of 62.9 in the Schedule for personal income. That is, in the year 1951 the per capita personal disposable income of the Territories was 65.3% of the per capita value for B.C. and the Territories combined. In Schedule 4 an attempt is made, for the year 1961 only, to give weight to corporate income as well as personal disposable income in measuring tax burden.

Personal disposable income is a national account consisting of personal income minus direct taxes.

'Direct taxes' are defined, for purposes of the national accounts, as "taxes which are levied directly on net incomes, whether of individuals or corporations." The principal taxes so classified are federal and provincial income taxes, succession duties and estate tax, motor vehicle licenses and permits and hospital insurance premiums.

SCHEDULE 3. - MUNICIPAL TAXATION BY PROVINCE  
AS PER CENT OF MEASURE OF TAXABLE  
CAPACITY 1962

Province	Measure of Taxable Capacity							Total Municipal Taxes Levied as a Per Cent of Measure of Taxable Capacity	Provincial Rank
	Personal Income		Corporate Income						
	Total Personal Income	Estimated Personal Income 1	Allocated Corporation Taxable Income 2	Estimated Allocated Corporation Taxable Income 3	Per Cent of Total Estimated Allocated Cor- poration Taxable Income	Application of Per- centage Distribution to Taxable Capacity of \$9,908,719,000 4	Total Municipal Taxes Levied 5		
	\$'000	\$'000	\$'000	\$'000	%	\$'000	\$'000	%	
Nfld.	457,000	295,999	48,340	31,310	0.93	92,151	388,150	4,557	1.2
P. E. I.	107,000	106,925	14,917	14,907	0.44	43,598	150,523	3,282	2.2
N. S.	929,000	927,792	73,987	73,891	2.19	217,001	1,144,793	41,950	3.7
N. B.	672,000	670,992	59,055	58,966	1.75	173,403	844,395	33,537	4.0
Que.	7,603,000	7,506,442	941,354	929,399	27.51	2,725,889	10,232,331	395,592	3.9
Ont.	12,292,000	12,119,912	1,491,532	1,470,651	43.54	4,314,256	16,434,168	668,628	4.1
Man.	1,586,000	1,564,113	152,953	150,842	4.47	442,920	2,007,033	80,175	3 (tie)
Sask.	1,572,000	1,549,835	98,647	97,256	2.88	285,371	1,835,206	86,005	4.0
Alta.	2,311,000	2,300,832	262,065	260,912	7.73	765,944	3,066,776	129,216	4.7
B. C.	3,145,000	2,683,314	338,895	289,145	8.56	848,186	3,531,500	145,294	4.1
Total	30,674,000	29,726,156	3,481,745	3,377,279	100.00	9,908,719	39,634,875	1,588,236	4.0

Note: Measure of Taxable Capacity consists of personal and net corporate income combined so that their aggregates are in a ratio of 3 : 1.

Note: Measure of Taxable Capacity consists of personal and net corporate income combined so that their aggregates are in a ratio of 3 : 1.



SCHEDULE 3 - MUNICIPAL TAXATION BY PROVINCE  
AS PER CENT OF MEASURE OF TAXABLE  
CAPACITY 1962 (Concluded)

Schedule 3, page 2.

NOTES:

- 1 Excludes income of population of unorganized territory and Indian reserves. See notes to Schedule 1 for derivation of these figures.
- 2 Amounts taken from most recent calculation of payments to provinces under the Federal-Provincial Tax-Sharing Arrangements Act for the year 1961-62. This division is worked out each year by the Department of National Revenue for purposes of federal payments to the provinces. For most corporations the basis of allocation by provinces is 50% sales and 50% salaries. It is generally agreed by economists that this is not a highly satisfactory basis of allocation and that any satisfactory basis of allocation would be very difficult to find. D. B. S. does not attempt any allocation of corporate profits by provinces.
- 3 Excludes income attributable to unorganized territory and Indian reserves. The problem of corporate income earned by corporations situated in unorganized territory and on Indian reserves has been treated in the same way as the corresponding problem with personal income. It has been assumed, for example, that if 80% of the personal income of a province is attributable to the population of municipally organized territory that a like percentage applies in the case of corporate income. Accordingly, for any province the percentage relationship between the total provincial personal income and the estimated personal income is the same as that between the provincial allocated corporation taxable income and the estimated allocated corporation taxable income.
- 4 The amount of \$9,908,719,000 represents exactly one-third of the estimated personal income total of \$29,726,156,000.00. The reason for taking a fraction of one-third is that in our judgment, based on a careful consideration of various statistics, approximately one-quarter of municipal taxes is paid by corporations and three-quarters by individuals. The result of this method is to produce a measure of taxable capacity in which the ratio of personal to corporate income is 3:1. The total measure of taxable capacity and the total municipal taxes levied as a per cent of the measure of taxable capacity are therefore artificial. However, the percentages are very useful in that they enable us to rank the provinces in order of burden of taxation with both personal and corporate income taken into account.
- 5 See notes to Schedule 1 for the derivation of these figures.

It must be conceded that the measure used is conceptually weak. However, it does, we believe, accord reasonably closely with the actual facts of municipal taxes since the respective tax contributions to municipalities by individuals and corporations are, very approximately, 3 : 1. It must be recognized at this point that there does not seem to be any satisfactory means of combining personal and corporate income into a single measure of taxable capacity. It is obviously possible to add together available statistics on personal and corporate income but since personal income is gross income and published corporate income is net income (after expenses) such a measure would be completely unsatisfactory. Moreover, since corporations pay municipal taxes from gross income, it is evident that a gross income basis for corporations would be superior. It would be more consistent to add together personal income and gross corporate income but a provincial allocation of gross corporate income is not available. One other alternative is to attempt to produce some measure of net personal income which could logically be added to net corporate income. This solution would be extremely difficult to apply since there is no standard accounting concept of net income for individuals and, in addition, nothing which corresponds to the net income of corporations.

SCHEDULE 4. - MUNICIPAL TAXATION BY PROVINCE  
AS PER CENT OF MEASURE OF TAXABLE  
CAPACITY 1962

Measure of Taxable Capacity										
Province	Personal Disposable Income				Corporate Income				Total Municipal Taxes Levied as a Per Cent of Measure of Taxable Capacity	Provincial Rank
	Total Personal Disposable Income	Estimated Personal Disposable Income <sup>1</sup>	Allocated Corporation Taxable Income <sup>2</sup>	Estimated Allocated Corporation Taxable Income <sup>3</sup>	Per Cent of Total Estimated Allocated Corporation Taxable Income	Application of Percentage Distribution to Taxable Capacity of \$9,908,719,000. <sup>4</sup>	Total Municipal Taxes Levied <sup>5</sup>			
	\$'000	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000	%	
Nfld.	434,000	281,102	48,340	31,310	0.93	83,999	365,101	4,557	1.2	10
P. E. I.	103,000	102,928	14,917	14,907	0.44	39,742	142,670	3,282	2.3	9
N. S.	872,000	870,866	73,987	73,891	2.19	197,805	1,068,671	41,950	3.9	8
N. B.	632,000	631,052	59,055	58,966	1.75	158,064	789,116	33,537	4.2	6 (tie)
Que.	7,022,000	6,932,821	941,354	929,399	27.51	2,484,759	9,417,580	395,592	4.2	6 (tie)
Ont.	10,993,000	10,839,098	1,491,532	1,470,651	43.54	3,932,621	14,771,719	668,628	4.5	3 (tie)
Man.	1,453,000	1,432,949	152,953	150,842	4.47	403,739	1,836,688	80,175	4.4	5
Sask.	1,470,000	1,449,273	98,647	97,256	2.88	260,127	1,709,400	86,005	5.0	1
Alta.	2,130,000	2,120,628	262,065	260,912	7.73	698,189	2,818,817	129,216	4.6	2
B. C.	2,855,000	2,435,886	338,895	289,145	8.56	773,156	3,209,042	145,294	4.5	3 (tie)
Total	27,964,000	27,096,603	3,481,745	3,377,279	100.00	9,032,201	36,128,804	1,588,236	4.4	

Note:	Measure of taxable capacity consists of personal disposable and net corporate income combined so that their aggregates are in a ratio of 3 : 1.
NOTES:	The notes to this Schedule correspond to those for Schedule 1 if personal disposable income is substituted for personal income. However for Note 1 refer to Schedule 2 instead of Schedule 1 and in Note 4 refer to a taxable capacity of \$9,032,201,000 in place of \$9,908,719,000. The \$9,032,201,000 represents exactly one-third of the estimated personal disposable income total of \$27,096,603,000 in the above Schedule.  As noted in Schedule 2 personal disposable income is a national accounts concept consisting of personal income minus direct taxes.

Note: Measure of taxable capacity consists of personal disposable and net corporate income combined so that their aggregates are in a ratio of 3 : 1.

NOTES: The notes to this Schedule correspond to those for Schedule 1 if personal disposable income is substituted for personal income. However for Note 1 refer to Schedule 2 instead of Schedule 1 and in Note 4 refer to a taxable capacity of \$9,032,201,000 in place of \$9,908,719,000. The \$9,032,201,000 represents exactly one-third of the estimated personal disposable income total of \$27,096,603,000 in the above Schedule.

As noted in Schedule 2 personal disposable income is a national accounts concept consisting of personal income minus direct taxes.

SCHEDULE 5. - RURAL MUNICIPAL TAX LEVIES FOR EACH PRAIRIE PROVINCE  
AS PER CENT OF TOTAL FARM CASH INCOME 1939 - 1962

Year	Farm Cash Income 1			Rural Municipal Tax Levies			Rural Municipal Tax Levies as Per Cent of Farm Cash Income		
	Man.	Sask.	Alta.	Man. 2	Sask. 3	Alta. 4	Man.	Sask.	Alta.
	\$000'000	\$000'000	\$000'000	\$	\$	\$	%	%	%
1939	64.1	158.7	118.4	5,425,469			8.5		
1940	63.9	156.7	125.6	5,534,414			8.7		
1941	84.6	178.5	155.3	5,525,745			6.5		
1942	111.2	230.7	188.6	5,735,025			5.2		
1943	149.2	339.6	234.4	6,190,227		8,039,767	4.1		3.4
1944	173.5	545.7	346.8	6,796,118	15,415,072	9,529,148	3.9	2.8	2.7
1945	151.5	408.7	293.8	7,578,503	16,241,529	10,669,619	5.0	4.0	3.6
1946	166.5	401.2	287.7	8,297,795	18,082,655	12,868,540	5.0	4.5	4.5
1947	181.8	440.5	347.9	8,542,794	19,597,571	14,567,855	4.7	4.4	4.2
1948	246.5	550.6	444.1	10,411,333	21,835,364	17,193,369	4.2	4.0	3.9
1949	247.2	579.1	447.7	10,942,599	23,573,857	19,604,525	4.4	4.1	4.4
1950	199.2	422.5	361.7	11,474,116	24,687,999	20,706,705	5.8	5.8	5.7
1951	278.1	644.2	463.5	12,486,620	26,677,884	21,159,888	4.5	4.1	4.6
1952	250.4	715.6	511.0	13,580,688	29,749,639	23,295,455	5.4	4.2	4.6
1953	222.9	745.7	491.4	13,583,813	38,027,028	25,048,474	6.1	4.4	5.1
1954	191.0	470.7	391.4	14,188,252	35,065,406	26,247,443	7.4	7.4	6.7
1955	181.3	449.3	375.2	14,479,736	36,062,537	25,067,308	8.0	8.0	6.7
1956	213.1	598.2	438.0	16,087,258	37,229,091	26,504,164	7.5	6.2	6.1
1957	200.3	537.9	437.3	16,057,814	38,823,614	29,384,631	8.0	7.2	6.7
1958	231.8	605.4	503.8	16,213,924	40,297,418	29,188,167	7.0	6.7	5.8
1959	232.5	577.3	488.3	17,378,802	41,352,871	29,705,148	7.5	7.2	6.1
1960	233.0	592.6	498.3	18,780,201	43,412,635	31,517,395	8.1	7.3	6.3
1961	247.0	623.8	542.3	18,701,263	44,175,097	35,039,805	7.6	7.1	6.5
1962	266.9	721.6	578.3	19,197,236			7.2		

SCHEDULE 5 - RURAL MUNICIPAL TAX LEVIES FOR EACH PRAIRIE PROVINCE  
AS PER CENT OF TOTAL FARM CASH INCOME 1939 - 1962 (Concluded)

Schedule 5, page 2.

NOTES:

- 1 Includes 'Supplementary payments' which currently (1962) consist of payments under the Prairie Farm Assistance Act and the Western Grain Producers Acreage Payment Plan.
- 2 Includes selected Local Government Districts commencing with 1952.  
The selected Local Government Districts are Alexander, Alonsa, Armstrong, Fisher, Grahamdale, Mountain, Park, Piney, Reynolds and Stuartburn. Those excluded are Consol, Churchill, Grand Rapids and the Industrial Districts of Lynn Lake, Mystery Lake, Pinawa and Snow Lake. Rural municipalities classified in "Comparative Summarized Statistics" as 'suburban' are also excluded.
- 3 Includes local improvement districts.
- 4 Includes municipal districts, improvement districts and counties.

COMMENT:

This Schedule should be interpreted with considerable caution. It does not permit anything more than a rough comparison between the three prairie provinces and it does not make possible exact comparisons over a period of years within any one province. The trouble is that the taxes imposed by rural municipalities are not only paid by farmers but also by owners of industrial, commercial and residential property. It is inevitable that the proportion of farm property to total taxable property in the rural municipalities of the three provinces would vary. It is also inevitable that for each province the proportion of farm property would change over a period of years. In the latter instance the nature of the change is predictable; with the growing industrialization of the three prairie provinces the proportion of taxes paid by non-agricultural property in rural municipalities should show a gradual increase. This may be expected to produce an upward bias in the percentages for later years and probably is a partial explanation of why these percentages are higher in the last few years than in the immediate postwar period.

SOURCE:

Farm Cash Income - Years 1939-55 from D. B. S. "Handbook of Agricultural Statistics, Part II, Farm Income, 1926-57,"  
Table p. 50-51.

Years 1956-62 from annual D. B. S. Catalogue 21-001, "Farm Cash Income."

Rural Municipal Tax Levies - "Comparative Summarized Statistics" for Province of Manitoba except for Local Government Districts for which data supplied separately by Provincial officials; annual reports of the Department of Municipal Affairs for Saskatchewan and Alberta.



SCHEDULE 6. - MUNICIPAL TAX BURDEN ON MANITOBA FARMERS 1939 - 1962

Year	Rural Municipal Tax Levies 1 \$	Farm Cash Income 2 \$000'000	Rural Municipal Tax Levies as Per Cent of Farm Cash Income %
1939	5,425,469	64.1	8.5
1940	5,534,414	63.9	8.7
1941	5,525,745	84.6	6.5
1942	5,735,025	111.2	5.2
1943	6,190,227	149.2	4.1
1944	6,796,118	173.5	3.9
1945	7,578,503	151.5	5.0
1946	8,297,795	166.5	5.0
1947	8,542,794	181.8	4.7
1948	10,411,333	246.5	4.2
1949	10,942,599	247.2	4.4
1950	11,474,116	199.2	5.8
1951	12,486,620	278.1	4.5
1952	13,580,688	250.4	5.4
1953	13,583,813	222.9	6.1
1954	14,188,252	191.0	7.4
1955	14,479,736	181.3	8.0
1956	16,087,258	213.1	7.5
1957	16,057,814	200.3	8.0
1958	16,213,924	231.8	7.0
1959	17,378,802	232.5	7.5
1960	18,780,201	233.0	8.1
1961	18,701,263	247.0	7.6
1962	19,197,236	266.9	7.2

SCHEDULE 6 - MUNICIPAL TAX BURDEN ON MANITOBA FARMERS 1939 - 1962 (Concluded) Schedule 6, page 2.

NOTES:

- 1 Includes selected Local Government Districts commencing with 1952. The selected Local Government Districts are Alexander, Alonsa, Armstrong, Fisher, Grahamdale, Mountain, Park, Piney, Reynolds and Stuartburn. Those excluded are Consol, Churchill, Grand Rapids and the Industrial Districts of Lynn Lake, Mystery Lake, Pinawa and Snow Lake. Rural municipalities classified in "Comparative Summarized Statistics" as 'suburban' are also excluded.
- 2 Includes 'supplementary payments' which currently (1962) consist of payments under the Prairie Farm Assistance Act and the Western Grain Producers Acreage Payment Plan.

COMMENT:

Like Schedule 5 this table should be interpreted with considerable caution because the taxes imposed by rural municipalities are not only paid by farmers but also by owners of industrial, commercial and residential property.

SOURCE:

Rural Municipal Tax Levies - "Comparative Summarized Statistics" except for Local Government Districts for which data supplied separately by Provincial officials.

Farm Cash Income - Years 1939 - 55 from D. B. S. "Handbook of Agricultural Statistics, Part II, Farm Income, 1926-57", table p. 50-51. Years 1956-62 from annual D. B. S. Catalogue 21-001, "Farm Cash Income".

**SCHEDULE 7- COMPARATIVE SCALES FOR TEACHERS' SALARY GRANTS**  
**ACTUAL AND PROPOSED**

Charts 1 and 2 below list the amount of grant for which a school district or division qualifies with respect to its authorized teachers. Two years are required for a teacher to complete a step. The scales are as they appear in Manitoba Regulation 74/58, under The Public Schools Act.

Proposed salary grants for elementary and secondary teachers are contained in Charts 3 and 4. The professional qualifications denoted in the symbols P<sub>1</sub>A<sub>1</sub>, P<sub>1</sub>A<sub>3</sub> etc. have not been altered. However, the time required to complete each step would be reduced from two years to one, and the amount of grant per annum would be substantially increased. The proposed grants would be incorporated fully into a foundation program of education for each district and division. The scale was prepared after a review of present salary levels.

Chart 1 - Approved amounts for grants respecting  
 teachers of elementary grades

Steps Com- pleted	A <sub>0</sub>	P <sub>1</sub> A <sub>0</sub>	P <sub>1</sub> A <sub>1</sub>	P <sub>1</sub> A <sub>2</sub>	P <sub>1</sub> A <sub>3</sub>	P <sub>1</sub> A <sub>4</sub>	P <sub>1</sub> A <sub>5</sub> or P <sub>2</sub> A <sub>4</sub>	P <sub>2</sub> A <sub>5</sub> or P <sub>1</sub> A <sub>6</sub>	P <sub>2</sub> A <sub>6</sub>
0	2000	2400	2800	3000	3200	3400	3800	4200	4500
1	2000	2400	2900	3100	3300	3500	3900	4300	4600
2	2000	2400	3000	3200	3400	3600	4000	4400	4700
3	2000	2400	3100	3300	3500	3800	4200	4600	4900
4	2000	2400	3200	3400	3600	4000	4400	4800	5100
5	2000	2400	3300	3500	3700	4200	4600	5000	5300
6	2000	2400	3300	3700	3900	4400	4800	5200	5500
7	2000	2400	3300	3900	4100	4600	5000	5400	5700
8	2000	2400	3300	4100	4300	4800	5200	5600	5900
9	2000	2400	3300	4300	4500	5000	5400	5800	6100
10	2000	2400	3300	4500	4700	5200	5600	6000	6300
11	2000	2400	3300	4500	4900	5400	5800	6200	6500
12	2000	2400	3300	4500	5100	5600	6000	6400	6700
13	2000	2400	3300	4500	5100	5800	6200	6600	6900
14	2000	2400	3300	4500	5100	6000	6400	6800	7100
15	2000	2400	3300	4500	5100	6200	6600	7000	7300
16	2000	2400	3300	4500	5100	6200	6800	7200	7500
17	2000	2400	3300	4500	5100	6200	7000	7400	7700
18	2000	2400	3300	4500	5100	6200	7200	7600	7900
19	2000	2400	3300	4500	5100	6200	7200	7800	8100
20	2000	2400	3300	4500	5100	6200	7200	8000	8300
21	2000	2400	3300	4500	5100	6200	7200	8200	8500
22	2000	2400	3300	4500	5100	6200	7200	8200	8700





Chart 4 - Proposed Amounts for Grants Respecting Teachers of Secondary Grades

Years of Exper- ience	A <sub>3</sub>	P <sub>1</sub> A <sub>3</sub>	P <sub>1</sub> A <sub>4</sub>	P <sub>1</sub> A <sub>5</sub> or P <sub>2</sub> A <sub>4</sub>	P <sub>1</sub> A <sub>6</sub> or P <sub>2</sub> A <sub>5</sub>	P <sub>2</sub> A <sub>6</sub>
0	3000	3800	4400	4700	5200	5600
1		3950	4700	5000	5500	5900
2		4100	5000	5300	5800	6200
3		4250	5300	5600	6100	6500
4		4400	5600	5900	6400	6800
5		4550	5900	6200	6700	7100
6		4700	6200	6500	7000	7400
7		4850	6500	6800	7300	7700
8		5000	6800	7100	7600	8000
9		5150	7100	7400	7900	8300
10		5300	7400	7700	8200	8600
11				8000	8500	8900
12					8800	9200
13						9500
14						9800

SCHEDULE 8 - ESTIMATED FINANCIAL EFFECTS FOR CLASSES

AND INDIVIDUAL MUNICIPALITIES ASSUMING

MAJOR RECOMMENDATIONS APPLIED IN 1962

In this Schedule it should be noted that the real property tax levies shown for the samples before and after the application of the recommendation are theoretical amounts, derived by deducting from net municipal expenditures all other municipal revenues. Hence, although there may have been surpluses or deficits, they are not shown. The mill rates are calculated to correspond with the theoretical tax levies and thus may differ slightly from actual 1962 mill rates in these municipalities.

Pages 2 and 3 of this Schedule provide the totals for each class of municipality, after which selected individual municipalities are examined.

The major recommendations taken into account in the estimates are:

- (1) redivision of public school costs
- (2) redivision of public works costs (applied to total only)
- (3) elimination of health and welfare costs
- (4) assumption by the municipalities of the full costs of assessment and town planning (applied to classes only)
- (5) elimination of unconditional grants
- (6) increased grants in lieu of taxes on Provincial Crown departmental property
- (7) general repeal of the personal property tax.

SCHEDULE 8 - ESTIMATED FINANCIAL EFFECTS FOR CLASSES AND  
INDIVIDUAL MUNICIPALITIES ASSUMING MAJOR  
RECOMMENDATIONS APPLIED IN 1962 (Continued)

Expenditure Detail	Rural Municipalities				Villages				Towns			
	B		A		B		A		B		A	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Uncontrollable</b>												
Schools	8,530,102	44.2	6,315,605	37.7	629,696	45.0	371,838	33.1	2,615,102	36.2	1,763,453	28.2
Debtentures - General	55,080	.3	55,080	.3	9,582	.7	9,582	.9	233,501	3.2	233,501	3.7
- Utility	6,499	-	6,499	-	91,824	6.6	91,824	8.2	895,738	12.4	895,738	14.3
Metro	37,970	.2	37,970	.2	-	-	-	-	12,026	.2	12,026	.2
Deferred Liabilities	231,119	1.2	231,119	1.4	13,473	1.0	13,473	1.2	43,406	.6	43,406	.7
Other	680,641	3.5	680,641	4.1	2,748	.2	2,748	.2	15,526	.2	15,526	.2
Grants	(300)	-	(300)	-	-	-	-	-	-	-	-	-
Subtotal	9,541,111	49.4	7,326,614	43.7	747,323	53.5	489,465	43.6	3,815,299	52.8	2,963,650	47.3
<b>Controllable</b>												
Public Works	7,599,565	39.4	7,599,565	45.4	288,556	20.6	288,556	25.7	1,416,617	19.7	1,416,617	22.6
Grants	(2,073,790)	(10.8)	(2,073,790)	(12.4)	(66,199)	(4.7)	(66,199)	(5.9)	(311,263)	(4.3)	(311,263)	(5.0)
Protection	616,173	3.2	616,173	3.7	123,300	8.8	123,300	11.0	791,160	10.9	791,160	12.6
Grants	(132,586)	(.7)	(132,586)	(.8)	(767)	(.1)	(767)	(.1)	(11,887)	(.2)	(11,887)	(.2)
Social Services	631,286	3.3	-	-	51,273	3.7	-	-	270,896	3.8	-	-
Grants	(124,787)	(.7)	-	-	(12,342)	(.9)	-	-	(82,541)	(1.1)	-	-
Recreation and Services	142,000	.7	142,000	.8	34,901	2.5	34,901	3.1	284,906	3.9	284,906	4.6
Grants	(5,825)	-	(5,825)	-	-	-	-	-	(13,656)	(.2)	(13,656)	(.2)
Fixed Assets	780,480	4.0	780,480	4.7	36,552	2.6	36,552	3.3	172,158	2.4	172,158	2.8
Grants	(1,893)	-	(1,893)	(.1)	(1,253)	(.1)	(1,253)	(.1)	-	-	-	-
Reserves	685,308	3.5	685,308	4.1	20,240	1.5	20,240	1.8	102,252	1.4	102,252	1.6
Utility Operating	10,069	.1	10,069	.1	4,260	.3	4,260	.4	39,470	.6	39,470	.6
Miscellaneous	4,278	.0	4,278	.0	735	.1	735	.1	50,106	.7	50,106	.8
Administration	1,659,861	8.6	1,785,997	10.7	171,534	12.3	192,271	17.1	693,629	9.6	779,649	12.5
Total	19,331,250	100.0	16,736,390	100.0	1,398,113	100.0	1,122,061	100.0	7,217,146	100.0	6,263,162	100.0
Add Unconditional Grants	-	-	702,966	-	-	-	63,393	-	-	-	253,359	-
Deduct Other Revenues	1,513,317	-	1,206,694	-	191,294	-	188,618	-	1,202,082	-	1,117,547	-
Deduct Increase in Grants in Lieu of Taxes	-	-	4,641	-	-	-	840	-	-	-	88,733	-
Estimated Net Expenditure to be Financed by Levy on Real Property	17,817,933	-	16,228,021	-	1,206,819	-	995,996	-	6,015,064	-	5,310,241	-
Mill Rate on Equalized Assessment	58.6	-	52.5	-	66.9	-	55.0	-	67.7	-	58.9	-
Mill Rate on Actual Assessment	60.1	-	53.9	-	65.6	-	53.9	-	68.3	-	59.4	-
1. Before Adjustment												
2. After Adjustment												

Schedule 8, page 2.







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	2	After Adjustment
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SCHEDULE 3 - ESTIMATED FINANCIAL EFFECTS FOR CLASSES AND  
INDIVIDUAL MUNICIPALITIES ASSUMING MAJOR  
RECOMMENDATIONS APPLIED IN 1962 (Concluded)

Schedule 8, page 13.

Expenditure Detail	City of Winnipeg			
	B <sup>1</sup>		A <sup>2</sup>	
	\$	%	\$	%
<u>Uncontrollable</u>				
Schools	14,000,050	35.8	10,496,039	30.6
Debentures-General	3,906,564	10.0	3,906,564	11.4
-Utility	-	-	-	-
Metro	3,661,341	9.4	3,661,341	10.7
Deferred Liabilities	-	-	-	-
Other	-	-	-	-
Grants	-	-	-	-
Subtotal	21,567,955	55.2	18,063,944	52.7
<u>Controllable</u>				
Public Works	1,594,075	4.1	1,594,075	4.7
Grants	-	-	-	-
Protection	9,796,417	25.1	9,796,417	28.6
Grants	-	-	-	-
Social Services	3,278,986	8.4	-	-
Grants	(1,985,612)	(5.1)	-	-
Recreation and Services	1,891,996	4.8	1,891,996	5.5
Grants	(8,000)	-	(8,000)	-
Fixed Assets	-	-	-	-
Grants	-	-	-	-
Reserves	390,417	1.0	390,417	1.1
Utility Operating	-	-	-	-
Miscellaneous	1,166,079	3.0	1,166,079	3.4
Administration	1,376,679	3.5	1,376,679	4.0
Total	39,068,992	100.0	34,271,607	100.0
Add Unconditional Grant	-	-	796,287	-
Deduct Other Revenues	15,481,604	-	15,481,604	-
Deduct Increase in Grants in Lieu of Taxes	-	-	350,752	-
Net Estimated Expenditures to be Financed by Levy on Real Property	23,587,388	-	19,235,538	-
Mill Rate on Equalized Assessment	48.2	-	39.3	-
Mill Rate on Actual Assessment	48.7	-	39.7	-
1 Before Adjustment				
2 After Adjustment				

## APPENDIX II

LOCAL GOVERNMENTS, ORGANIZATIONS AND INDIVIDUALS  
WHO FILED WRITTEN SUBMISSIONS

<u>Parties Making Submissions</u>	<u>Exhibit Number</u>
<b>I. <u>Municipal Governments</u></b>	
A. <u>The Metropolitan Corporation of         Greater Winnipeg</u>	21, 21A & B
B. <u>Cities</u>	
1. Brandon	33, 33A & B
2. Portage la Prairie	75
3. St. Boniface	97
4. St. James	76
5. Transcona	17
6. West Kildonan	15, 15A
7. Winnipeg	13, 13A - D
C. <u>Suburbans</u>	
1. Assiniboia (RM)	77
2. Fort Garry (RM)	16
D. <u>Towns</u>	
1. Deloraine	68
2. The Pas	32, 32A & B
3. Winkler	20
E. <u>Villages</u>	
1. Dunnottar	34
2. Waskada	68
F. <u>Rural Municipalities</u>	
1. Arthur	40
2. Brenda	68
3. Daly	36
4. De Salaberry	78
5. East St. Paul	79
6. Edward	40
7. Glenwood	36
8. Morton	41
9. Ochre River	37
10. Odanah	42
11. Ritchot	58
12. Riverside	35
13. Rosser	19
14. Rockwood	62

<u>Parties Making Submissions</u>		<u>Exhibit Number</u>
15.	Sifton	36
16.	South Cypress	38
17.	Swan River	87
18.	Wallace	39
19.	Whitehead	36
20.	Winchester	68
21.	Woodworth	36

## II. School Divisions and Districts

### A. Divisions

1.	Brandon, No. 40	45
2.	Dauphin-Ochre School Area No. 1	44, 44A & B
3.	Kelsey, No. 45	46
4.	Morris-Macdonald, No. 19	43
5.	St. Vital, No. 6	6
6.	Seine River, No. 14	7
7.	Seven Oaks, No. 10	3, 3A
8.	Transcona -Springfield, No. 12	4
9.	Winnipeg, No. 1	2, 2A

### B. Districts

1.	Brandon, No. 129	48
2.	Glencross, No. 71	95
3.	Glover Creek, No. 2304	47
4.	Newcombe, No. 1716	80
5.	Portage la Prairie, No. 10	49
6.	St. Norbert, No. 2364	8
7.	Transcona, No. 39	5
8.	Winkler, No. 747	20

## III. Organizations and Associations

### A. Agriculture

1.	Agricultural Societies of Manitoba	60, 60A
2.	Canadian Co-operative Implements Limited	22, 22A & B
3.	Manitoba Beet Growers Association	22, 22A & B
4.	Manitoba Farmers' Union	23
5.	Manitoba Federation of Agriculture	22, 22A & B
6.	Manitoba Pool Elevators	22, 22A & B
7.	Rosburn Agricultural Society	56
8.	United Grain Growers Limited	22, 22A & B
9.	Vegetable Growers Association of Manitoba	22, 22A & B
10.	Winnipeg District Milk Producers Co-operative Association Limited	22, 22A & B



Parties Making SubmissionsExhibit  
NumberB. Business and Labour

1.	Brandon Chamber of Commerce	61
2.	Canadian Life Officers Association	57
3.	Downtown Business Association	27, 27A & B
4.	Investment Dealers Association of Canada (Mid-Western District)	26
5.	Manitoba Chambers of Commerce	67, 67A
6.	Manitoba Federation of Labour	63
7.	Manitoba Hotel Association	28
8.	Manitoba Motion Picture Exhibitors Association	83
9.	Retail Merchants Association of Canada Incorporated	98
10.	Winnipeg and District Labour Council, CLC	25
11.	Winnipeg Chamber of Commerce	82

C. Education

1.	Association d'Education des Canadiens Francais du Manitoba	92
2.	Association for Retarded Children in Dauphin	65
3.	Brandon Regional School Trustees Association	52
4.	Catholic Parochial School Trustees Association of Manitoba	9
5.	Home and School and Parent-Teacher Federation of Manitoba Incorporated	96
6.	Manitoba School Trustees' Association	51, 51A & B
7.	Manitoba Teachers' Society	1
8.	Urban School Trustees' Association	12

D. Municipal

1.	Brandon Parks Board	72
2.	Manitoba Municipal Secretary- Treasurers Association	81
3.	Manitoba Urban Association	71
4.	Union of Manitoba Municipalities and Manitoba Urban Association - joint brief	70

E. Political

1.	Manitoba Committee, Communist Party of Canada	29
2.	Manitoba Social Credit League	66

<u>Parties Making Submissions</u>		<u>Exhibit Number</u>
<u>F. Others</u>		
1.	Brandon Horticultural Society	90
2.	Land Use Committee of Federation of Game and Fish Associations of Province of Manitoba	53
3.	Twin Lakes Beach Association	99
4.	Associated Hospitals of Manitoba	100
 <u>IV. Individuals</u>		
1.	Bateman, A. C., Brandon	94
2.	Brown, Leon A., Winnipeg	89
3.	Clarke, Phyllis and Bruce, Elkhorn	91
4.	Goda, John, Ethelbert	88
5.	Group of Taxpayers, R. M. of Dauphin	50, 50A
6.	Group of Taxpayers, La Broquerie	24
7.	Hayes, V., Alderman, Transcona	18
8.	Kozier, S. J., Molson	31
9.	Krueger, Leonard, Winnipeg	30
10.	Lennox, R., St. James	85
11.	McLaren, Gordon, Pipestone	55, 55A
12.	Miller, S. J., Norwood	93
13.	Moore, Dr. Andrew, School Trustee, Winnipeg	11
14.	St. Hilaire, Joseph, Alderman, St. Boniface	84
15.	Swailles, Donovan, Alderman, Winnipeg	14
16.	Turner, C. R., Wellwood	86
17.	Wilson, F. H. Makaroff	54
18.	Wolch, Dr. I., Alderman and School Trustee, Winnipeg	10

NOTE

Those submissions with the same exhibit number were party to a joint submission.

## APPENDIX III

## PUBLIC HEARINGS 1963

		Pages of Evidence in Official Transcripts in Public Hearings
<u>Winnipeg</u>		
May 21	1. Manitoba Teachers' Society	9 - 101
	2. Winnipeg School Division No. 1	101 - 142
May 22	1. Seven Oaks School Division No. 10	144 - 184
	2. Transcona-Springfield School Division No. 12	184 - 216
	3. Transcona School District No. 39	217 - 233
	4. Seine River School Division No. 14	233 - 255
May 23	1. Catholic Parochial School Trustees Association of Manitoba	257 - 260
	2. Dr. I. Wolch, Alderman and School Trustee-City of Winnipeg	261 - 270
	3. Dr. Andrew Moore, School Trustee- City of Winnipeg	271 - 289
	4. Urban School Trustees' Association of Manitoba	290 - 303
	5. City of Winnipeg	304 - 340
	6. Donovan Swailes, Alderman, City of Winnipeg	341 - 345
	7. City of West Kildonan	345 - 365
May 24	1. The Metropolitan Corporation of Greater Winnipeg	367 - 401
	2. Town of Winkler, Winkler School Board	402 - 428
	3. City of Transcona	429 - 438
	4. R.M. of Rosser	439 - 459
	5. Manitoba Committee, Communist Party of Canada	460 - 475
May 27	1. R.M. of Fort Garry	477 - 504
	2. Manitoba Federation of Agriculture Manitoba Pool Elevators United Grain Growers Limited Canadian Co-operative Implements Limited Vegetable Growers Association of Manitoba Manitoba Beet Growers Association Winnipeg District Milk Producers Co-operative Association Limited	505 - 570
	3. Manitoba Farmers' Union	571 - 611
	4. Group of Taxpayers - La Broquerie	611 - 627
	1. Winnipeg and District Labour Council, C.L.C.	629 - 642

Pages of Evidence in  
Official Transcripts of  
Public Hearings

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Winnipeg (May 28 continued)

2.	Investment Dealers' Association of Canada (Mid-Western District)	643 - 654
3.	Manitoba Hotel Association	655 - 668
4.	Leonard Krueger	668 - 678
5.	Manitoba Federation of Labour	679 - 689
6.	Downtown Business Association of Winnipeg	689 - 743
7.	Canadian Life Insurance Officers Association	743 - 750

Brandon

June 13	1.	City of Brandon	751 - 792
			880 - 881
	2.	Brandon Chamber of Commerce	793 - 808
	3.	Brandon School Division No. 40	809 - 841
	4.	Land Use Committee of the Federation of Game and Fish Association of the Province of Manitoba	842 - 845
	5.	Brandon Regional School Trustees' Association	846 - 861
	6.	Brandon School District No. 129	861 - 879
	7.	Agricultural Societies of Manitoba	882 - 894
	8.	Rosburn Agricultural Society	894 - 911
	9.	R. M. of South Cypress	912 - 920
10.	Brandon Parks Board	920 - 925	
June 14	1.	Manitoba School Trustees' Association	826 - 996
	2.	Town of Deloraine	997 - 1007
		Village of Waskada	
		R. M. of Winchester	
		R. M. of Brenda	
	3.	R. M. of Daly	1008 - 1028
		R. M. of Glenwood	
		R. M. of Sifton	
		R. M. of Whitehead	
		R. M. of Woodworth	
	4.	R. M. of Riverside and	1028 - 1043
		R. M. of Whitewater	1060 - 1064
	5.	R. M. of Wallace	1044 - 1059
6.	R. M. of Morton	1065 - 1073	
7.	R. M. of Odanah	1073 - 1079	

Dauphin

June 17	1.	Dauphin-Ochre School Area No. 1	1080 - 1157
	2.	Association for Retarded Children in Dauphin	1158 - 1166
	3.	Group of Citizens, R. M. of Dauphin	1167 - 1173



Pages of Evidence in  
Official Transcripts of  
Public Hearings

The Pas

June 19	1. Town of The Pas	1174 - 1214
	2. Kelsey School Division No. 45	1215 - 1242

Winnipeg

June 24	1. Union of Manitoba Municipalities and Manitoba Urban Association	1243 - 1340
	2. Manitoba Urban Association	1341 - 1377
June 25	1. Portage la Prairie School District No. 10	1378 - 1411
	2. Manitoba Chambers of Commerce	1412 - 1423
	3. Manitoba Social Credit League	1432 - 1443
Sept. 11	1. Manitoba Motion Picture Exhibitors Association	1444 - 1453
	2. R. M. of Assiniboia	1453 - 1466
	3. Newcombe School District No. 1716	1466 - 1473
	4. Joseph St. Hilaire, Alderman-St. Boniface	1473 - 1479

## APPENDIX IV

EXCERPTS FROM TWO LETTERS FROM THE HONOURABLE DUFF ROBLIN,  
PREMIER OF MANITOBA, TO MR. R. H. G. BONNYCASTLE, CHAIRMAN OF  
THE METROPOLITAN COUNCIL OF GREATER WINNIPEG, DATED 7 JULY AND  
25 OCTOBER, 1961 RELATIVE TO GOVERNMENT POLICY REGARDING PRO-  
VINCIAL CONTRIBUTIONS TO THE COST OF ROADS AND BRIDGES IN THE  
METROPOLITAN WINNIPEG AREA.

Letter of 7 July, 1961

The letter pointed out that contributions from the Province for roads fell into two categories,

- "1. Provincial financial assistance with respect to main arterial roads serving as links in the provincial highway system, and
2. Capital assistance for road construction."

The letter then continued,

"The Government has a primary concern in providing and maintaining a network of provincial trunk highways throughout the Province. We, therefore, retain the right to place priorities on certain projects, to reject some and to defer others in accordance with the judgment of traffic needs and its own financial capacity. The Province does not assume that the Metropolitan Corporation has taken over or will take over all arterial roads and streets that are important from our standpoint. We will therefore continue to deal individually with Metropolitan Council and with particular municipalities on requests for assistance. Each project will be considered on its merits as it is presented.

"Grants that are made for the construction costs of highway routes and arterial roads and streets in the Metropolitan area will be on a 60/40 per cent basis of division with the Province bearing the larger share. Projects to be undertaken in the present fiscal year where prior commitments have been made in excess of this ratio are excepted. The 60/40 division is an upward revision from the 50/50 percentages formerly used in the central part of the Metropolitan area.

"Special projects, such as bridges and freeways, will be considered separately in each case.

"The Province will not participate in the costs of acquiring property for rights-of-way for any of the projects concerned.

"It is our intention that maintenance grants for highway routes in the Metropolitan area will continue on the same basis as previously."

Letter of 25 October, 1961

Government policy regarding bridges was set forth as follows,

" The government of Manitoba has given greatly increased assistance to the Metropolitan Corporation to assist it in solving problems of traffic. With respect to roads this increased assistance has taken the form of the new policy of 60% provincial support for approved Metro streets. We now consider that help is also required in connection with Metro bridges.

" Having given consideration to the various reports on the matter of Metro bridges, we are prepared to proceed with a staged three-bridge building program as soon as possible. This program will include a bridge over the Assiniboine River at St. James, a bridge over the Red River in the St. Vital area and a third bridge at a location over the Red or Assiniboine rivers as studies may indicate desirable. It is proposed to begin the first of these bridges at once and to build the other two in sequence. The provincial government will pay 100% of approved river crossings, including bridge approaches and exits bringing the traffic down to existing ground level. The Province will also pay 60% of the necessary approved new pavements to tie in the bridge approaches to the existing street system in the area. The Province, however, will not contribute towards cost of right-of-way, demolition, street lighting except on structures, relocation of underground services or sidewalks except where they are an approved integral part of the structure. This construction will take place under terms and conditions to be specified by the Department of Public Works. It is estimated the provincial share of this three-bridge project will be approximately \$4½ million."

## APPENDIX V

## SECTIONS 77 to 81

## OF

## THE MUNICIPALITY OF METROPOLITAN TORONTO ACT

77. - (1) The Metropolitan Corporation shall submit a by-law covering the estimated expenditure on metropolitan roads for the calendar year to the Department for the Minister's approval, not later than the 31st day of March of the year in which the expenditure is to be made.

(1a) The Metropolitan Corporation, may at any time within the calendar year in which the expenditure is to be made, submit to the Minister for his approval a by-law covering the estimated expenditure on metropolitan roads supplementing the by-law submitted under subsection 1.

(2) No subsidy shall be granted by the Department for work undertaken by the Metropolitan Corporation that has not been provided for by a by-law duly approved by the Minister.

78. - (1) The Metropolitan Council shall annually and may with the consent of the Minister at any time during the progress of its work in connection with the metropolitan road system submit to the Minister,

- (a) a detailed statement of receipts and expenditures in the form prescribed by the Minister;
- (b) a declaration of the engineer or other officer of the Metropolitan Corporation who is charged with the responsibility of directing and supervising the work that the statement of receipts and expenditures is correct and that the work has been done in accordance with the requirements of the Minister and with the approval of the proper officer of the Department;
- (c) a declaration of the treasurer of the Metropolitan Corporation that the statement of receipts and expenditures is correct; and
- (d) a petition for the payment of the grant, authorized by resolution of the Metropolitan Council.

(2) Upon receipt of the statement, declarations and petition and the approval thereof by the proper officer of the Department, the Minister may direct payment to the treasurer of the Metropolitan Corporation out of moneys appropriated therefor by the Legislature of an amount equal to 50 per cent of the amount of the expenditure that is properly chargeable to road improvement and in all cases of doubt or dispute the decision of the Minister is final.

(3) Subject to section 77, the Minister may, in his discretion, direct payment to the Metropolitan Corporation under this section, on or after the 1st day of May in any year, of a sum not exceeding 25 per cent,



- (a) of the amount paid by the Minister under this section in respect of the preceding calendar year; or
- (b) of the average annual payments made by the Minister under this section in respect of the five preceding calendar years.

79. - No expenditure towards which a special contribution has been or may be made from any source shall be included in a statement submitted under section 78 except with the consent of the Minister.

80. - Expenditures that shall be deemed to be properly chargeable to road improvement include those made for the purpose of,

- (a) opening a new metropolitan road and acquiring the necessary land therefor;
- (b) clearing a metropolitan road of obstructions;
- (c) widening, altering or diverting a metropolitan road;
- (d) subject to section 3 of The Public Service Works on Highways Act, defraying 50 per cent of the cost of labour only in taking up, removing or changing the location of appliances or works placed on or under a metropolitan road by an operating corporation;
- (e) constructing and maintaining bridges, culverts or other structures, other than sanitary sewers, incidental to the construction of a metropolitan road;
- (f) grading a metropolitan road;
- (g) constructing and maintaining an approved base for the road surface on a metropolitan road, including the installing and maintaining of approved drainage;
- (h) constructing and maintaining any approved type of road surface on a metropolitan road;
- (i) constructing and maintaining necessary curbs, gutters and catch basins on a metropolitan road;
- (j) clearing snow from and applying chemicals or abrasives to icy surfaces on a metropolitan road;
- (k) establishing and laying out a new road under section 86 and constructing such new road as part of the metropolitan road system before actually assuming it is a metropolitan road by amending the by-law passed under section 76; and
- (l) such other work of road improvement as the Minister may approve.

81. - Every road constructed or repaired as part of the metropolitan road system shall be so constructed and repaired in accordance with the requirements of the Minister.

## APPENDIX VI

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